

SLOVAK REPUBLIC COUNTRY COMMERCIAL GUIDE FY 2002

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This Country Commercial Guide (CCG) presents a comprehensive look at the Slovak Republic's commercial environment, providing economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate numerous reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

Slovakia is a small economy in the heart of Europe, with an economy characterized by heavy industry and processing of industrial raw materials and agricultural commodities. After its peaceful separation from the Czech Republic in 1993, Slovakia experienced several years of high growth and low inflation. Price controls and large current account and fiscal deficits that were not sustainable fueled this "success". However, starting in 1998 the Slovak government has focused on macroeconomic stabilization and structural reforms to build a base for long-term prosperity, and on integrating Slovakia into European and multilateral organizations, such as the Organization for Economic Cooperation and Development (OECD) which Slovakia joined in 2000. Economic growth dropped to 1.9 percent in 1999 and unemployment was 16.2 percent. Due to tight austerity policies, the fiscal and current account deficits have dropped sharply. GDP grew by 2.2 percent in 2000 and is expected to grow about 3 percent in 2001. Important structural reforms continue and issues being addressed include lack of transparency in decision-making, a high tax burden, incomplete privatization, inadequate infrastructure, weak government-owned financial institutions, bankruptcy reform, and high company debt.

Among the areas offering the best potential for U.S. business are capital goods, information and communication systems, financial services, environmental products and services, management services and production processes. Many Slovak enterprises are restructuring and need to modernize their equipment and methods. U.S. companies and products have a positive image in Slovakia, and U.S. technology enjoys an excellent reputation. However, Slovakia is still a relatively small market for U.S. consumer goods. Slovak consumers are very price-conscious and goods from the Czech Republic, Austria and Germany oftentimes enjoy a favorable price differential because of their proximity to and experience in the market. Moreover, there may be an unofficial preference for EU goods, while Slovakia campaigns for membership.

U.S. exports to Slovakia reached \$224.20 million in 2000, up from the year before by \$54.90 million, putting the United States in 8th place among suppliers of Slovak imports with a 2.1 percentage share. U.S. imports from Slovakia reached \$ 102.2 million, ranking the United States 9th among purchasers of Slovak exports with a 1.4 percent share. Germany was Slovakia's top supplier in 2000 with a 25 percent share of Slovakia's \$12.79 billion import market. The Czech Republic was second with 14.7 percent. Germany was the top buyer of Slovakia's \$11.87 billion in exports, taking 26.8 percent of the total. The Czech Republic was second at 17.4 percent. Slovakia

had a trade deficit of \$0.92 billion in 2000, down by \$0.18 billion. In 2001 the trade deficit is expected to reach \$1.4 billion, however this will be due to an increase in imports of capital goods based on boosted foreign investment in Slovakia.

Attracting foreign investment has become a top priority for the Slovak government. The government has developed a comprehensive series of investment incentives, which include tax holidays and worker retraining grants. The government is also in the process of privatizing most remaining state-held firms, including banks, insurance companies, and most notably the Slovak Gas Company and the Slovak Electric company both of which may be good prospects for potential U.S. investors. The U.S. is currently the fourth largest investor in Slovakia (behind Germany, the Netherlands, and Austria). However, one of the largest investors in Slovakia is U.S. Steel, which acquired VSZ Steelworks in Kosice at the end of 2000. The total investment is estimated to be worth more than \$400 million and the Slovak government hopes that U.S. Steel's investment will help attract other investors to Slovakia.

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2.1 Major Trends and Outlook

Over the past three years the economic outlook for Slovakia has improved considerably. In 1998, the macroeconomic indicators for Slovakia were bleak. The current account deficit was 10.1 percent of GDP; the fiscal deficit of the general government had reached 4.8 percent; and low international reserves forced the float of the Slovak currency. In an attempt to improve Slovakia's economic outlook, the government adopted an austerity program, which stressed fiscal responsibility and sound macroeconomic policy. This program yielded its first fruits last year. On the strength of excellent export performance and depressed domestic demand, the current account deficit declined dramatically, from 5.6 percent of GDP in 1999 to 3.7 percent of GDP in 2000, and the government deficit declined to 3.4 percent of GDP.

The Slovak government was able to engineer this soft landing by raising administered prices, increasing taxes, and holding firm on expenditures. In addition the government pursued some much-needed structural reforms with considerable success. This include the privatization of several state-owned banks and the scheduled privatization of the energy sector, which should move forward this year with the sale of 49 percent of the Slovak Gas Company (SPP) and oil-pipeline operator Transpetrol. In addition, the government established independent regulators for telecommunications and financial markets, and a similar agency for the energy sector will begin operations in late 2001. This campaign of reforms helped Slovakia secure Organization for Economic Cooperation and Development (OECD) membership in 2000.

In May 2001, the government sent a strong signal of its determination to continue to move the economy toward sustained economic growth, when it reached an agreement with the International Monetary Fund (IMF) on a one-year Staff Monitored Program (SMP). The SMP, in turn, will open the door to a World Bank Enterprise and Financial Sector Restructuring Loans (EFSAL) of over \$200 million. The SMP contains both quarterly quantitative benchmarks and structural benchmarks on bank privatization, pension reform, and other issues. The World Bank loan, which is on track for approval in 2001, will add more detailed conditions on bank privatization and supervision, enterprise sector restructuring, and bankruptcy reform.

2.2 Economic Overview

The Slovak economy recorded a real GDP growth of 2.2 percent last year, up slightly from 1.9 percent in 1999. The pace of growth accelerated in the first quarter of 2001, to an annual rate of 3.0 percent of GDP. Domestic demand contributed for the first time in two years, rising 4.8 percent in the fourth quarter of 2000 and 4.6 percent in the first three months of 2001. Gross fixed capital formation (gross investment plus change in inventory) showed year-to-year real annual growth of 16.12 percent in the first three months, contributing the lion's share of the revival in domestic demand. Final household consumption was up 4 percent year in the first quarter, compared to a 3.4 percent decline for all of 2000. Government consumption remained flat compared to the same quarter of 2000, while it was down 0.9 percent in 2000. Higher external demand played the main role in fueling the economy, with a 16.1 percent year-on-year increase in last quarter of 2000, and 13.1 percent in the following quarter.

The government predicts full year growth of 3.2 percent in 2001 and 3.6 percent for 2002. The IMF forecasts real annual growth of 3.1 percent this year. In contrast, the National Bank of Slovakia in May warned that the trade balance would deteriorate this year and shaved its forecast for GDP growth to the lower end of its forecasting range of 2.8-3.2 percent.

2.3 Foreign Trade

Foreign trade figures deteriorated in 2001, with the deficit for January-May of \$674 million up 351 percent from the same period in 2000. Imports have surged, to \$5.75 billion, up 30.9 percent on the year, outpacing a 20.9 percent gain in exports, to \$5.08 billion. The government, however, says the unfavorable trend in foreign trade is not worrisome because it is fueled by imports of capital goods. Machinery imports were up 37.3 percent in May in comparison to May 2000, to \$1.39 billion, making up around 25 percent of total imports.

Export growth in 2000 was more positive at 29.4 percent on the year, the fastest pace since independence in 1993. Exports were \$10.97 billion, versus imports of \$11.81 billion, up 26 percent. The annual trade gap was \$847.2 million, compared to \$904 million deficit in 1999. Car production which was up 37.2 percent to \$2.49 billion, fueled the growth in exports. Export of iron and steel products surged to \$1.66 billion last year, up 30.1 percent over 1999, while electromechanical and machinery exports reached \$1.92 billion, rising 22.4 percent on the year.

The reorientation of Slovak trade to the west continued with exports to OECD countries up 29.5 percent for 2000, accounting for 91.6 percent of exports. About 60 percent of exports reached the European Union (up 28.8 percent). Imports from OECD countries accounted for 74.8 percent, up 17.6 percent, and from the EU, for 48.9 percent of imports, up 19.3 percent.

2.4 Balance of Payments and Current Account

Slovakia's balance of payments was in deficit at \$110.9 million at the end of March, compared to a surplus of \$368 million as of March 31, 2000. The current account deficit stood at \$298 million at the close of first quarter of 2001, driven mainly by the larger foreign trade gap. The capital and financial account produced, for the first three months in 2001, a cumulative surplus of \$316.9 million. The balance of services was positive in the amount of \$84 million. The income line brought a deficit of \$25.3 million, while current transfers recorded a plus of \$27.6 million. By contrast, trade in goods resulted for the first three months of 2001 into a deficit of \$384.4 million. The gradual deterioration in foreign trade forced the central bank to revise up its forecast of the 2001 current account deficit from 4 percent to 5.7 percent of GDP.

The balance of payments for January-December 2000 was in surplus to the tune of \$683.4 million. The current account deficit of \$658 million billion was only 3.7 percent of GDP, down from 5.6 percent in 1999. The improvement would have been even more dramatic if not for a sudden deterioration in the trade balance in the last quarter, which produced the year's three highest monthly deficits. In December alone, the current account gap rose \$241.2 million, more than a third of the total for the year. Absent this, the 2000 current account deficit would have been 2.4-2.5 percent of GDP.

As to the components of the balance of payments (NOTE: see above for foreign trade figures), services produced a surplus of \$406 million in 2000, up \$364 million from 1999. The improvement was driven by the transport sector, which tallied a surplus of \$518 million in 2000 versus \$260 million in 1999, chiefly on higher receipts for the transit of gas and oil (caused by higher prices). The travel account produced a surplus of \$126 million, a year-on-year increase of \$26 million. The deficit of other services shrunk by \$80 million from 1999 to \$156 million.

The income and transfers components both contributed more to the current account deficit than in 1999. The income line produced a deficit of \$326 million, which is \$76 million more than 1999, dominated by interest paid abroad. The surplus on current transfers declined some \$54 million, to a surplus of \$108 million for 2000. Overall, the capital and financial account generated a surplus of \$1.27 billion, down from \$1.56 billion in the same period of 1999.

2.5 Foreign Direct Investment

In 2000, Slovakia received \$1.987 billion in foreign direct investment (FDI). This is the highest influx since the fall of communism in 1989 and only slightly less than the cumulative total for the preceding 10 years. The final figure exceeded the expectations both of government officials and financial analysts, who predicted a maximum inflow of \$1.5 billion. Slovakia's cumulative FDI since independence in 1993 was \$3.496 billion as of December 31, 2000, of which \$3.1 billion went to

corporate sector (53.5 percent of which was in industrial manufacturing) and \$330.12 million into banking. German companies were the top foreign investors, with \$968.9 million (27.7 percent of the total), followed by the Netherlands, with \$792.5 million (22.7 percent) and Austria, \$529.4 million (15.1 percent). U.S. investors took fourth, with cumulative investments of \$311.3 million in Slovakia (8.9 percent).

Deutsche Telecom was the biggest investor in Slovakia for 2000, paying \$856 million for a 51 percent stake in Slovak Telecom, of which \$342 million was pumped into equity and \$514 million paid in cash to the government. Hungarian MOL took second place, paying \$262 million for its 36.2 percent shareholding in refinery Slovnaft, of which \$150 million went to boost Slovnaft's equity and the rest for a share purchase. Austrian Neusiedler ranks third, with a cash payment of \$80 million for 50 percent of pulp and paper producer SCP Ruzomberok. U.S. Steel, with \$60 million paid in the first round of payments for all metallurgical assets of steel mill VSZ Kosice, was fourth on the list. (NOTE: U. S. Steel also assumed \$325 million of VSZ's debt and will pay not less than \$25 million and up to \$75 million to VSZ shareholders during the period 2002-2003)

2.6 Foreign Debt

Slovakia's net foreign indebtedness - expressed as the difference between gross foreign debt (including liabilities of the government and the central bank, commercial banks and the corporate sector), and foreign assets (foreign exchange reserves of the NBS, foreign assets of commercial banks and the corporate sector) - reached \$3.2 billion as of February 28, 2001. At the beginning of 2001, net foreign debt stood at \$2.9 billion, down from \$4.4 billion at the beginning of 2000.

Gross foreign indebtedness was \$10.878 billion at the end of February, a modest decline from \$10.804 billion at the end of 2000. In 1999, total gross external debt of Slovakia was \$10.474 billion and in 1998 it was \$11.8 billion. This marked decrease was mainly the result of a policy change by the National Bank of Slovakia, which no longer requires commercial banks to hedge their foreign exchange liabilities. Since banks had artificially inflated their balance sheets to comply with the rule, the decline in gross debt and assets was expected. Foreign assets totaled \$7.7 billion at the close of February, compared to \$7.9 billion at the end of 2000, and \$6.1 billion at the close of 1999.

The official indebtedness of the Slovak government and the central bank was \$2.912 billion at the end of February, down slightly from \$2.917 billion at the end of 2000 (\$2.547 billion in 1999). Debt in the commercial sector, i.e. commercial banks and enterprises, reached \$7.5 billion (including foreign debt liability vis-à-vis non-residents in SKK) as of February versus \$7.420 billion at the end of 2000. The indebtedness of municipalities was \$99.5 million and \$95.7 million, respectively. The direct foreign debt of government agencies (State Road Fund) stood at \$366.6 million in February, down from \$371.9 million at the close of 2000. Gross debt per capita reached \$2,035 at the end of February, up from \$2,021 at the close of 2000, \$1,944 in 1999, \$2,191 in 1998 and \$1,867 in 1997.

Standard & Poor's rates Slovakia's long-term sovereign credit issues triple 'B'- plus for local currency and double 'B'- plus for foreign currency, while foreign currency long-term senior unsecured debt is rated double 'B' - plus. The outlook was revised from

"stable" to "positive" last year. Moody's Investors Service changed its rating outlook for the Slovakia's Ba1 ceiling for foreign currency bonds and Ba2 ceiling for foreign currency bank deposits in 2000 as well, to "positive" from "stable".

Despite the positive attitude reflected in outlook upgrades, none of rating agencies is considering an investment grade rating for Slovakia, in view of elections to take place in late 2002.

2.7 Fiscal Situation

Under agreements with the International Monetary Fund (IMF) the Slovak government agreed to keep the overall general government deficit at 3.9 percent of GDP for 2000, excluding bank restructuring costs and expenditures on called guarantees, with a further decline in 2002 (to 3.0-3.5 percent of GDP). However, the government missed targets for 1999 and 2000, with a consolidated fiscal deficit of 3.6 percent of GDP in 1999 vs. a target of 3.5 percent, and 3.4 percent in 2000 vice a plan of 3.0 percent. (NOTE: the overall general government deficit is defined by the IMF as the central government budget plus extra-budgetary spending, which in Slovakia includes state funds, off-budget agencies such as the pension fund, and municipalities). The budget of the central government, or state budget, makes up almost 98 percent of the deficit, since the government finally incorporated most off-budget expenditures into the budget to conform public finance to IMF requirements.

However, the budget itself incorporates contingencies that could increase the deficit. For example, pressures from the pension and disability agency budget are likely, since the government did not provide for a cost-of-living increase in pensions. Social benefits, an entitlement driven to a large extent by unemployment, also pose a risk of overspending. On the other hand, revenues were budgeted conservatively, and both the markets and the central bank believe that revenues will come in higher and provide the government with some maneuvering room.

Preliminary data on the central government budget and the state funds confirms that indicative sub-ceilings for expenditures and the public sector deficit were met. The central government budget produced a deficit of \$114 million for the first quarter of 2001, meeting the \$119.8 million ceiling for the first quarter general government deficit agreed to in the SMP. However, the first quarter deficit in 2000 was just \$16.9 million deficit.

2.8 Foreign Exchange and Money Market

The turnaround in Slovakia's public finance and trade performance during 1999-2000 produced a corresponding improvement in financial indicators. The crown has smoothly tracked its Euro benchmark since the beginning of 2000, firming from 44 in early January to 42.2 against Euro, its 11-months maximum, in late June. However, as a consequence, it has depreciated sharply against the dollar, to SKK 50 to the dollar in June, 2001, versus 35 in October, 1998, a 43 percent depreciation, caused fully by a Euro shortfall against dollar. (NOTE: The Slovak crown is convertible for current and capital account transactions. The National Bank of Slovakia abandoned a fixed exchange regime on October 1, 1998, and allowed the crown to float.) Domestic interest rates have declined sharply, from 24 percent on one-year bonds in late 1998 to around 7.8 percent in June 2001, with the central bank effectively

managing the money market through overnight and two-week repurchase agreements.

The continued development of bank lending to private households and corporations was hampered by several non-monetary factors including: (1) the closing of three commercial banks; (2) the need to secure a state-guaranteed loan for the Slovak Power Company; and, (3) the restructuring of loan portfolios at selected state-owned banks prior to their privatization. After adjusting the volume of loans provided the year-on-year growth in loans to households and enterprises reached 4.1 percent. However, if adjusted for inflation, the 2000 end-year volume of net loans to households and corporations was down for the fourth consecutive year.

Consumer prices, after recording double-digit jumps during the first half of 2000 chiefly as a consequence of hikes in the regulated prices of electricity, gas, water and other utilities, recorded annual growth of 7.7 percent in the year ending May 2001. For January-May, Slovak consumer prices rose at an annual rate of 7.4 percent on average. Core inflation for May showed the highest growth in 12 months (5.0 percent on an annual basis), and CPI inflation hovers in the upper end of the 6.7-8.2 percent target corridor for 2001. But both analysts and the central bank remain calm. Rising food prices played the major role in recent gains, but there are no demand-driven pressures for the time being.

2.9 Wages

Wages in the Slovak economy appear to have bottomed out, a good signal for growth prospects. The nominal monthly wage in the Slovak economy on average was up 7.8 percent in the first quarter of 2001 over the first quarter of 2000, to \$226 from \$209 a year ago. More important, real wages increased for the first time after 6 quarters of decline, gaining 0.6 percent year on year for the first three months of 2001. For all of 2000, real wages in Slovakia were down 4.9 percent. The average nominal monthly wage stood at \$229 last year, 6.5 percent over the 1999 level.

2.10 Labor Market

Unemployment is still the Achilles heel of the Slovak economy, with monthly rates oscillating between 19 to 21 percent for most of 2000, as reported by the National Labor Office (NLO), one of the two sources of labor statistics in Slovakia. The unemployment rate as a share of registered unemployed of the total workforce eased to 18.49 percent in May 2001, a significant improvement compared with 20.8 percent in January, the highest rate since the fall of communism in 1989. The total number of registered jobless people broke after six months the psychological level of 500,000, falling to 498,655 as of May 31. The unemployment rate measured as a share of the workforce unemployed and available for work (so called disposable rate), was 17.49 percent, down from 19.79 percent in January. The Statistical Office measure which is based on a labor survey that analysts consider more accurate, rose to 19.3 percent in the first three months of 2001, the highest rate ever recorded in Slovakia, up from 18.6 percent in the last quarter of 2000.

2.11 Financial Sector

The Slovak government made considerable headway in restructuring the financial sector during 2000. The sector's first major privatization, the sale of the Slovak

Savings Bank (Slovenska Sporitelna) to Austrian Erste Bank, took place at the end of 2000. A new banking law establishing a stricter supervision regime went to Parliament, and the government has pledged to work with the World Bank to upgrade banking supervision. Privatization is slated to continue with the sale of Slovakia's largest commercial bank, VUB and four smaller state-controlled banks.

The National Bank of Slovakia, Slovakia's central bank and the Ministry of Finance drafted a new banking act to harmonize Slovak banking legislation with European standards and OECD requirements. It should create a legal framework for the application of all 25 core principles for effective banking supervision that were elaborated by the Basle Committee in 1997. The new banking law is expected to go into force in September 2001 and should address criticism aimed at Slovakia by the European Union and the IMF.

Several state owned banks were privatized in the second half of 2000 and several more banks are slated for privatization. Slovenska Sporitelna (Slovak Savings Bank), the largest Slovak bank with more than \$4.16 billion in assets was sold at the end of 2000. 87 percent of the shares went to Erste Bank of Austria, which paid EUR 425 million or about 1.78 times the estimated book value to outbid two other international banks. In June 2001, Erste agreed to sell a 19.99 percent stake in Slovenska Sporitelna to the European Bank for Reconstruction and Development (EBRD) for EUR 98 million.

A tender for Vseobecna Uverova Banka (VUB), or General Credit Bank was concluded in June 2001, with IntesaBci of Italy chosen as the winner over French Societe General. The Italian banking group offered EUR 550 million for a 94.5 percent stake in the bank, which includes 69.5 percent held by the government and 25 percent jointly owned by the European Bank for Reconstruction and Development and the World Bank's International Finance Corporation. The acquisition is expected to close by July. VUB's two-stage sale began in February 2001, when the EBRD/IFC team bought a combined 25 percent stake in VUB for \$46 million. VUB's assets totaled \$3.5 billion at the end of 2000.

The third major state bank on the block is the troubled Investment and Development Bank, or IRB, with assets of \$547.8 million at the end of 2000. IRB was placed under forced administration in 1997 and has been operated by state managers ever since. Its privatization has entered the final stage, with Hungary's largest commercial bank, OTP Bank, as the sole qualified bidder for the 69.59 percent stake up for sale. Analysts appraise IRB's assets at \$35 million, while press reports suggest that OTP offered around \$30 million. OTP also indicated it would also seek to buy a 22 percent share in IRB held by the Slovak Insurance Company.

Privatization also awaits medium-sized Postova Banka, with assets of \$395.1 million as of Dec 31, 2000, in which the government hopes to sell its 60 percent stake by the end of 2001. Another medium-sized bank, Istrobanka, with assets of \$547.3 million, also may get a new owner this year. Its dominant shareholder, state-controlled Slovenska Poistovna (Slovak Insurance Company), said that its 72 percent stake will be sold at the same time as the insurance company; both tenders were announced on June 18, 2001. Both Austrian Volksbank and Citibank are reported to be in the hunt for Istrobanka. The National Property Fund will also try yet again to sell Slovakia's smallest bank, Banka Slovakia, with assets of \$83 million.

A total of five banks have been put under the central bank's forced administration since the country's birth in 1993, two of them in the last year alone. At the same time, many of Slovakia's smaller banks were sold to foreign investors, such as Prva Komunalna Banka to Austrian-French-Belgian Dexia International, or Polnobanka to Italian UniCredito. After the sale of VUB, foreign investors would control 88 percent of the total assets in Slovakia's banking sector, holding majorities in 15 of 21 banks operating in the country. Furthermore, if the government also manages to get rid of its holdings in Postova Banka, Istrobanka and IRB the share of foreign capital in total banking assets in Slovakia will reach 97 percent.

2.12 Private Sector

Slovakia's industrial sector showed its first signs of recovery during 2000. The number of working days of adjusted industrial production has been constantly rising since February 2000, by 9.1 percent on average for all of 2000 and by 7.0 percent on average for January-April 2001. The slower growth was partially caused by lower demand for electricity, gas and water, as consumers react to price deregulation. Auto production continued to be a driving force in the economy, but output grew more slowly than last year's record. Car production for January-December 2000 showed a real growth of 7.8 percent from the same period in 1999, while output in four months of 2001 was up 13.4 percent on the year.

Corporations reported much better earnings in 2000, with Slovakia's 200 largest enterprises reporting pre-tax profits of \$440 million, more than four times 1999's \$100 million. Total sales of the industrial top 200 (excluding financial sector) rose 20 percent over last year, to \$16.4 billion. The top 200 enterprises in 2000 had 282,000 people on the payroll, down 3 percent from 1999. Total exports of the top 200 were \$7.26 billion, a 20 percent annual increase, accounting for 66 percent of Slovakia's exports.

The largest non-financial company in Slovakia remained, for the second consecutive year, the German carmaker Volkswagen, with a 26 percent revenue gain in 2000, to \$1.7 billion, followed by refinery Slovnaft, with an impressive 80 percent boost in sales, to \$1.4 billion. The third-ranked company, natural gas monopoly SPP, last year recorded 8 percent growth in revenue, with total sales of \$1.07 billion. Steel maker VSZ Kosice (the largest company in 1995-98) was fourth in 2000, with sales of \$976.8 million, down 11.6 percent from 1999. The fifth-ranked, power monopoly Slovenske Elektrarne, reported revenues of \$753 million, up 18.7 percent.

2.13 Privatization

Until 1999 Slovak law did not allow for the privatization of "strategic" companies, including natural monopolies, defense firms, state banks, and a few others. As part of the Slovak governments overall structural reform strategy the Slovak parliament approved legislation that permits the complete privatization of such companies. This includes the sale of a 49 percent holding in the natural gas distributor, the oil pipeline operator, the power company, regional electricity distributors and water companies. Under the current legislation the state will retain ownership of the postal monopoly, water supplies, rail rights of way, and forestry assets. The fixed-line national telecommunications monopoly, Slovak Telecommunications, was the first important

property privatized. On July 18, 2000, the government signed a contract selling 51 percent to Deutsche Telekom, with an option to acquire a further 34 percent after the company's monopoly on public voice service expires at the end of 2002. The government plans to sell 15 percent held by the National Property Fund through the Bratislava Stock Exchange or a foreign exchange.

On June 14, 2001 five state energy companies sold a combined 36 percent holding in one of Slovakia's two mobile network operators (holding both 900 and 1,800 MHz license), Globtel GSM. American International Group led the consortium, with EBRD participation. It paid \$180 million. Globtel is part of the France Telecom Orange Group, with France Telecom holding 64 percent majority in the company.

Many analysts expect the sale of a 49 percent stake in natural gas monopoly Slovak Gas Company (SPP) to be the largest in Central and Eastern Europe for 2001. SPP earns lucrative revenues from the transit pipeline carrying Russian natural gas to Western Europe. The Slovak government said in June that it would sell the stake as one piece to a strategic investor or a consortium through an international tender, consistent with the advice of adviser Credit Suisse First Boston. The government hopes to open the tender in October and sell the stake not later than the end of 2001. A consortium of German Ruhrgas, Gas de France and Italy's Snam and a rival syndicate of German Wintershall and RWE Gas have already expressed an interest in SPP, as has Russia's Gazprom. The Slovak government hopes to earn at least \$2 billion on the sale, based on Price Waterhouse Cooper's valuation of SPP total value at somewhere between \$3 billion and \$7 billion.

A second major sale, that of 49 percent in Transpetrol, operator of the pipeline transporting Russian crude oil through Slovakia, should occur by October of this year. An advertisement inviting expressions of interest from investors said the deadline for preliminary bids was July 16, 2001. Transpetrol owns and operates the Slovak section, approximately 515 km, of the crude oil transit pipeline Druzba. The pipeline currently transports crude oil from Russian oil fields to Central and Western European markets. The transportation capacity is approximately 21 million tones per year at 5.9 Mpa through the Druzba pipeline. The company transported 9.3 million tons last year, of which 5.3 million were processed by Slovakia's only refinery Slovnaft. There were no price estimates given up to now. Transpetrol, with assets of \$167.3 million at the close of 2000, earned a net profit of \$1.95 billion last year, from revenues of \$40.9 million.

The energy sector sell-off in Slovakia should close by a minority privatization of power monopoly Slovenske Elektrarne (SE) in the first half of next year. The government's plan for selling the electricity system called in the first phase for splitting off three regional distribution companies, to be followed by their transformation into three power distribution - ZSE, SSE, VSE - and six heat production and distribution joint stock companies. The government in July blessed Austrian Creditanstalt IB Securities, British HSBC Investment Bank and French BNP Paribas as advisors for privatization of the three distributing units, with a view to sell 49 percent stakes in each company by the end this year or early 2002. The second phase of SE de-monopolization, approved in July, stipulates splitting SE into three independent units, as of November 1, 2001. All power plants in Slovakia should be left under SE and go private in 44.79 percent in mid-2001, with advisor on the sale to be chosen by October 31, 2001. The state will retain a 51 percent shareholding in "new" SE, while

3.35 percent should be given to Slovak Gas Co. SPP and 0.86 percent to the Restitution Investment Fund. The high-voltage transmission system and dispatching center should form a joint stock company Slovenska Energeticka Prenosova Sustava, which will be fully owned by the government. The third unit to be created from SE is in Teplarne Kosice, a heat producer, which will also take over the current heat producer in Presov. The government plans to transfer its 40.5 percent stake in Teplarne Kosice to the cities of Kosice and Presov.

3.1 Major Political Issues Affecting the Business Climate

The September 1998 parliamentary elections resulted in a coalition government, led by Prime Minister Mikulas Dzurinda, that is committed to democracy and market reform. The Dzurinda government's main goals have been integration into Euro-Atlantic structures, the return of Slovakia to the rule of law, economic stabilization, and a reduction in organized crime and corruption. Slovakia held its first direct presidential elections in May 1999 and was invited in December 1999 to begin EU accession negotiations, closing more than 15 chapters by mid-2001.

The Dzurinda government has improved relations with minority groups. Hungarian parties are represented in the coalition government, and a Hungarian, Pal Csaky, is the Deputy Minister for Human Rights and Minorities. Parliament passed a law in 1999 governing the use of minority languages that was deemed a significant step forward by the Organization for Security and Cooperation in Europe (OSCE) expert on minority issues, Max Van Der Stoel. In 2001 Parliament ratified the European Charter on Minority Languages. Although discrimination against Roma is still pervasive, the government has initiated its own action plan as well as a joint initiative with the Czech Republic to address this problem.

The governing coalition has had numerous internal conflicts due to the wide spectrum of political views represented in the government. Nevertheless, they have continued to implement economic and political reforms such as privatization of the state-owned telecommunications monopoly, constitutional amendments that reformed the judiciary, and passage of a sweeping Freedom of Information Act. Despite constant tensions, and occasional dramatic disagreements, the coalition partners appear to place a high priority on preserving the government. Nonetheless, opposition parties, such as those led by former Prime Minister Meciar, consistently received higher support in public opinion polls than parties in the ruling coalition.

Corruption and organized crime remain a significant problem, despite some government efforts to eliminate them. Slovakia has ratified the OECD anti-bribery convention, but still needs to ensure effective implementation of the law. The World Bank completed a survey of the scope and effects of corruption in Slovakia (see chapter 7), and the government has begun to implement its own anti-corruption program.

3.2 Political System, Elections, and Major Political Parties

Slovakia is a parliamentary democracy. The Prime Minister is the head of government and serves a four-year term; the president, a largely ceremonial office with limited powers, is the head of state and serves a five-year term.

Slovakia held parliamentary elections in September 1998, and a coalition government composed of the Slovak Democratic Coalition (SDK), Party of the Democratic Left (SDL), Party of Civic Understanding (SOP) and Party of the Hungarian Coalition (SMK) was able to defeat the previous government composed of the Movement for a Democratic Slovakia (HZDS), Slovak National Party (SNS) and the Association of Slovak Workers (ZRS). Election results gave the HZDS 43 seats in parliament, the SDK 42 seats, the SDL 23 seats, the SMK 15 seats, the SNS 14 seats and the SOP 13 seats. Several parliamentarians have since left their original parties, but parties that compose the ruling coalition still enjoy a comfortable majority.

The first direct presidential election held in May 1999 resulted in former Kosice Mayor Rudolf Schuster defeating former Prime Minister Vladimir Meciar by a margin of 57 to 43 percent. The next parliamentary elections are not scheduled until September 2002. Although opposition parties have been calling for early elections, it appears unlikely that the governing coalition will dissolve.

3.1 Major Political Issues Affecting the Business Climate

The September 1998 parliamentary elections resulted in a coalition government, led by Prime Minister Mikulas Dzurinda, that is committed to democracy and market reform. The Dzurinda government's main goals have been integration into Euro-Atlantic structures, the return of Slovakia to the rule of law, economic stabilization, and a reduction in organized crime and corruption. Slovakia held its first direct presidential elections in May 1999 and was invited in December 1999 to begin EU accession negotiations, closing more than 15 chapters by mid-2001.

The Dzurinda government has improved relations with minority groups. Hungarian parties are represented in the coalition government, and a Hungarian, Pal Csaky, is the Deputy Minister for Human Rights and Minorities. Parliament passed a law in 1999 governing the use of minority languages that was deemed a significant step forward by the Organization for Security and Cooperation in Europe (OSCE) expert on minority issues, Max Van Der Stoel. In 2001 Parliament ratified the European Charter on Minority Languages. Although discrimination against Roma is still pervasive, the government has initiated its own action plan as well as a joint initiative with the Czech Republic to address this problem.

The governing coalition has had numerous internal conflicts due to the wide spectrum of political views represented in the government. Nevertheless, they have continued to implement economic and political reforms such as privatization of the state-owned telecommunications monopoly, constitutional amendments that reformed the judiciary, and passage of a sweeping Freedom of Information Act. Despite constant tensions, and occasional dramatic disagreements, the coalition partners appear to place a high priority on preserving the government. Nonetheless, opposition parties, such as those led by former Prime Minister Meciar, consistently received higher support in public opinion polls than parties in the ruling coalition.

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4.1 Distribution and Sales Channels

During Slovakia's first privatization wave, 98 percent of retail outlets were privatized. The retail sector consists mainly of small shops such as grocery stores, clothing stores, flower shops, music stores, and bookstores that are usually run by families. Single-product wholesale outlets existed in Slovakia before 1989, but the subsequent disintegration of this system created a gap in the distribution network. It is not unusual for retailing and wholesaling to be combined, sometimes even together with manufacturing.

With the greatest concentration of population, metropolitan Bratislava is the most important market in Slovakia, followed by Kosice, Trencin, Zilina, Poprad and Nitra. Nitra is especially important for distribution of foodstuffs and agricultural products. The most developed distribution networks are found in western Slovakia between Bratislava and Banska Bystrica. Slovakia's population density continuously decreases to the east.

The current trend in retailing favors Western-style stores that offer a wide variety of products. The British company, Tesco, having taken over operations in Slovakia from the U.S. retailer K-mart, is the largest of these western-style retailers in Slovakia. In 1999, the company's revenues reached \$121 million. Tesco is expanding its operations in Slovakia and is currently building a nationwide chain of "hypermarkets". Other major players in the Slovak retail market are the French company, Carrefour and the Austrian supermarket chain, Billa, both of which are expanding throughout

the country. Other foreign retail chains in Slovakia include Baumax, Drogerie Markt, Delvita, Kaufland, Metro and IKEA, which is the only significant furniture retail chain in Slovakia. The main Slovak retailers are Rema 1000 and Terno.

We expect that the arrival of large retail chains will force considerable consolidation or liquidation of smaller shops. This, too, could open possibilities for retail franchising, although most potential franchisees will need financial assistance.

4.2 Use of Agents/Distributors; Finding a Partner

The Slovak Commercial Code closely follows EU legislation. It recognizes agents, commission merchants, and brokers (who are not bound by contract).

There are a wide variety of import/export companies in Slovakia. They may be broadly divided between traditional foreign trade companies -- large organizations with know-how, capital resources and experienced personnel - and newly established small companies, emerging to compete in a turbulent business environment.

Foreign business is attractive for Slovak entrepreneurs. A good and common way to find a local representative is to advertise in a newspaper. When choosing an agent/partner, it may help to bear in mind the advantages of larger, well-established companies. Smaller companies often lack capital resources, although this should be treated on a case-by-case basis.

The U.S. Department of Commerce's Commercial Service provides the Gold Key Service and the International Partner Search programs to U.S. companies seeking potential business in Slovakia. The International Partner Search (IPS) provides U.S. firms with a short list of pre-screened Slovak contacts who have expressed an interest in representing a U.S. firm, based on seeing the company's product literature. The Gold Key Service takes this a step further by offering face-to-face appointments with Slovak contacts, when a representative from the U.S. firm visits Slovakia. To obtain more information, please contact your local U.S. Department of Commerce Export Assistance Center (to find the Export Assistance Center closest to you, go to www.usatrade.gov) or U.S. Commercial Service in Bratislava, tel.: (421-2) 5296-1079, fax: (421-2) 5296 -1085, email: bratislava.office.box@mail.doc.gov.

4.3 Franchising

Franchising in Slovakia is just beginning to grow and includes hotels, fast food operations, petrol stations, and business services. Slovak legislation is similar to EU legislation, but there is no Slovak legislation specific to franchising. Franchising agreements are treated as commercial contracts and regulated by the commercial code. U.S. franchises in Slovakia are still limited but already include McDonalds and Pizza Hut. Now may be a good time to get into the market, but franchisers should be prepared to offer creative financial options. Some of Slovakia's best potential entrepreneurs have few financial resources at this stage in the country's development.

4.4 Direct Marketing

Direct marketing exists in Slovakia, but legislation for consumer protection needs to be developed. Consumers have complained about unfair or misleading practices of some companies. Active direct marketing firms include Amway, Avon, Quelle, Herbalife, Oriflame, Lander, Mary Kay, Yves Rocher, and Anthesis.

4.5 Joint Ventures/Licensing

The Slovak Commercial Code permits joint ventures and licensing. However, licensing is less common than in Western countries.

4.6 Establishing an Office

Branch offices, joint-stock companies, limited liability companies, limited or unlimited partnerships, cooperatives, silent partnerships, and associations are all permissible under the Slovak Commercial Code. All entities must be registered in the Slovak Commercial Register.

The following procedures and documents are required for company registration: (a) lease contract for premises, (b) approval of the office/company's location by local authorities, (c) Slovak bank account, (d) trade authorization from the local trade authority, and (e) satisfaction of minimum capital requirements. In the case of offices headed by foreign nationals, a long-term residence permit is required.

The most common option for foreign companies is the limited liability company because it is simplest to establish and 100 percent foreign ownership and full repatriation of after-tax profits are allowed. Between 1 and 50 shareholders may form a limited liability company. Total basic capital must be at least 200,000 SK (\$4,500) with minimum participant deposit of 30,000 SK each. A supervisory board is not required, but may be established. An official appraiser must value non-monetary contributions, and for certain contributions two appraisers are required. At least 30 percent of each partner's deposit and all non-monetary contributions must be paid up before the company may be entered in the Commercial Register, with the total value of these deposits amounting to at least 100,000 SK (\$2000). If the company is founded by a single entity, the foundation capital must be paid up in full. The process of handling an application for entry in the Commercial Register takes approximately 90 days.

4.7 Selling Factors/Techniques

Sunday shopping and round-the-clock shopping are permitted under Slovak law. The usual retail hours are from 9:00 a.m. to 6:00 p.m., excepting grocery stores which open at 6:00 a.m. and close at 6:00 p.m. or 7:00 p.m. Most stores close at 12:00 p.m. on Saturdays and are closed on Sundays. Retail chains are open seven days a week from 7:00 a.m. to 8:00 p.m., except for major holidays, such as Christmas and Easter.

Disposable income in Slovakia is much lower than in Western European countries, so price is a key competitive factor. Slovaks usually prefer buying Slovak products, especially in grocery stores, if there is a price advantage. Greater availability of foreign name brands, however, is gradually increasing the importance of quality in individual buying decisions.

Promotion techniques are slowly coming up to U.S. or West European standards, especially in the capital and larger towns. Consumer campaigns, special offers and discounts are common for chain stores. There are customer protection associations and funds, but promotion techniques (e.g., coupons and small gifts) are not generally regulated by law. However, the Ministry of Finance regulates consumer lotteries. Slovak and foreign firms are permitted to conduct consumer lotteries with no capital restrictions. The only required condition is having registered the company in the Slovak Commercial Register. There is no tax on a consumer lottery if the total annual amount invested is less than SK 300,000 (\$6000). A consumer lottery above SK 300,000 (\$6000) annually (per company) is taxed 15 percent.

4.8 Advertising and Trade Promotion

Many companies, both Slovak and foreign, specialize in advertising. They vary considerably in quality. The most commonly used media include newspapers, radio and television. Private radio stations offer advertising basically in all urban areas, e.g. Bratislava, Banská Bystrica, Nitra, Žilina, Poprad, Zvolen, and Košice. Use of billboards is significant, especially in cities and along main highways. Major newspapers and business journals include:

Narodna Obroda	tel: +421 2 5933 6337, fax: +421 2 5933 6403, email: inzercia@narodnaobroda.sk
Pravda	tel: +421 2 5292 3760, fax: +421 2 5063 4798, email: pravda@pravda.sk
SME	tel: +421 2 5923 3240, fax: +421 2 5292 1372, email: redakcia@sme.sk
Hospodarske Noviny	tel: +421 2 5296 2938, +421 2 5063 4666, email: inzercia@hnx.sk
Trend	tel: +421 2 4341 1652, fax: +421 2 4333 1336, email: inzercia@trend.sk
Profit	tel: + 421 2 5063 4570, fax: +421 2 5063 4586

The only English language newspaper is the Slovak Spectator (tel.: +421 2 5292 7650, fax: +421 2 5292 7654, email: slspect@vyvsme.sk). There are two state-owned television stations and two privately owned television stations (with extensive coverage) in Slovakia.

Posters are traditionally used for advertising in Slovakia. They can be found in post offices, telephone booths, public transportation, outdoor pillars, and along public routes. There is minimal formal consumer protection, but companies are well advised to incorporate ethical principles into advertising strategies, as Slovak consumers may object to advertising perceived to be unethical.

4.9 Product Pricing

The average per capita monthly income in Slovakia is \$257. Slovakia is still a low to medium-priced country although prices and wages are gradually increasing. Price is a key consideration for most consumers.

There is a gap between prices in urban and rural areas that varies depending on products and services. Most food prices remain well below Western levels. In large cities, prices in some retail stores, especially for imported goods, may exceed those in the United States or Western Europe. Price liberalization began in 1991 and is defined by Act No. 526/1990 Coll. on Prices.

4.10 Sales Service/Customer Support

Foreign and domestic entities must provide post-sale services, especially for technical products. There is no legal requirement that a local company (registered in Slovakia) provides the service, but it must be able to arrange service for the customer either within Slovakia or abroad.

4.11 Selling to the Government

Slovakia (as a successor to Czechoslovakia) is a founding member of the General Agreement on Tariffs and Trade (GATT) and an original signatory to the World Trade Organization (WTO). The Slovak Government plans to join the WTO Agreement on Government Procurement by the end of 2002. Supplies of equipment to the Government are based on letter of invitation. The government approved a new, EU-consistent procurement law in 1999, and created an independent Office of Government Procurement.

4.12 Protecting Your Product from IPR Infringement

Slovakia is a successor to conventions signed by the former Czechoslovakia, e.g., the Bern, Paris, Stockholm, Madrid, Nice, Lisbon, Locarno, Washington, Strasbourg, and Budapest conventions. Slovak laws and regulations remain broadly similar to those inherited from Czechoslovakia and are compatible with Western European legislation. Slovakia is a member of the World Intellectual Property Organization (WIPO). Nevertheless, U.S. pharmaceutical companies have complained about patent infringement in Slovakia.

4.13 Need for a Local Attorney

A number of law firms in Slovakia are able to conduct business in English. Some Slovak firms are familiar with U.S. law, and a few U.S. firms have opened offices in Slovakia. More detailed information can be obtained from the Chamber of Commercial Lawyers of Slovakia (address: Farska 27/2, 010 01 Zilina; tel.: +421/41 5622647, fax: 5626915) and/or the Chamber of Advocates (address: Kolarska 4, 813 42 Bratislava; tel.: +421/2 52961536, fax: 52961554). U.S. companies seeking a list of English-speaking attorneys should contact the Commercial Service office in Bratislava.

5.1 Best Prospects for Industrial Goods and Services

All figures are in millions of U.S. dollars unless otherwise stated. Our rank order of "Best Prospect" sectors was calculated net of exchange rate effects, and our 2001 estimates assume the Slovak economy bottomed near the beginning of the year. The Slovak Crown has depreciated considerably (about 30 percent) since October 1998.

Rank of Sector: 1
 Name of Sector: Electrical Equipment
 ITA Industry Code: CEL
 HS Code: 85

Electrical equipment manufacturing grows every year, accompanied by demand for electronic components and for manufacturing equipment for electrical equipment. The number of domestic producers is increasing, the majority of them with foreign participation. There are local producers of consumer electronics, such as radios, VCRs, audio-visual equipment and electronic components, and their thirst for components should increase as the economy gets moving again. Opportunities exist for U.S. investors in production and assembly of electronic components.

USD millions	1999	2000	2001Predicted
Total Market Size	1,162.1	1,224.0	1,249.3
Total Local Production	805.0	812.0	820.2
Total Exports	841.9	848.0	856.5
Total Imports	1,199.0	1,260.0	1,285.7
Imports from United States	44.7	57.2	60.0
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 2
 Name of Sector: General Industrial Equipment
 ITA Industry Code: GIE
 HS Code: 84

Machines and equipment for all areas of industrial production are among the most sought after products. This is due to Slovakia's industrial restructuring and modernization, which is likely to accelerate as the economy improves. There are good opportunities for U.S. firms in heating equipment (boilers, valves, etc.) and power generation and distribution equipment. U.S. companies can also successfully provide chemical technologies or equipment. There are good opportunities for U.S. investors, as a number of companies are seeking foreign partners and investment, and the Slovak Government continues to privatize firms in many sectors.

USD millions	1999	2000	2001Predicted
Total Market Size	1,691.4	1,810.0	1,836.0
Total Local Production	1,013.2	1,020.0	1,030.3
Total Exports	1,037.0	960.0	980.0
Total Imports	1,715.2	1,750.0	1,785.7
Imports from United States	135.0	147.5	162.0
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 3
Name of Sector: Optical, Photo and Measuring Equipment
ITA Industry Code: OPT
HS Code: 90

Optical, photo and measuring equipment consumption has increased, but has become increasingly focused on "high tech" products. Slovak production has stagnated and most equipment is imported. New entrants will face strong competition from the same international competitors they see elsewhere. Even though the statistics show a decrease in imports from the United States, this market is growing. The decline likely was caused by the lower value of the Slovak Crown.

USD millions	1999	2000	2001Predicted
Total Market Size	358.2	350.0	361.6
Total Local Production	167.0	170.0	180.8
Total Exports	73.0	75.0	77.3
Total Imports	264.2	255.0	258.1
Imports from United States	25.2	28.4	32.27
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 4
Name of Sector: Chemicals
ITA Industry Sector: CHM
HS Code: 29, 38

Consumption of chemicals is increasing steadily. Slovakia has traditionally been a producer of chemicals, but mostly of large volume commodity chemicals. U.S. specialty chemicals have found good customers in Slovakia. U.S. companies can also successfully compete by offering chemical technologies or equipment. There are opportunities for U.S. investors here, including the pending privatization of two major chemical producers.

USD millions	1999	2000	2001Predicted
Total Market Size	982.7	1,000.0	1,066.7
Total Local Production	908.2	930.0	1,000.0
Total Export	264.2	280.0	297.8
Total Imports	338.7	350.0	364.5
Imports from United States	15.4	17.0	19.0
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 5
Name of Sector: Automotive
ITA Industry Code: AUT
HS Code: 87

The automotive sector is one of the fastest growing in Slovakia in recent years. Domestic automotive production significantly increased, improving prospects for parts suppliers. The market for new vehicles has suffered this year as real incomes dropped. There seems to be a thriving automotive after-market, and we suspect that there will be a growing market for garage equipment and diagnostic tools. There are opportunities for U.S. investors. A number of companies are also seeking U.S. partners for manufacturing.

USD millions	1999	2000	2001Predicted
Total Market Size	1,466.0	1,500.0	1,184.7
Total Local Production	2,147.5	2,200.0	2,268.0
Total Exports	1,933.9	2,000.0	3,083.3
Total Imports	1,252.4	1,300.0	2,000.0
Imports from United States	6.4	8.0	9.4
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 6
Name of Sector: Drugs and Pharmaceuticals
ITA Industry Code: DRG
HS Code: 30

We expect consumption of medicines to grow steadily over the next decade. This growth, however, could be interrupted or delayed by Slovakia's current crisis in health care financing. The best selling drugs are antibiotics. Pharmaceuticals produced and branded by U.S. companies (whether sourced from the United States or elsewhere) have a strong position on the Slovak market. Statistics are scarce, but observation

tells us that U.S. companies are among Slovakia's top suppliers, despite the fact that little flows directly from U.S. plants. The pending privatization of a state-owned blood and infusion products manufacturer provides investment opportunities.

USD millions	1999	2000	2001Predicted
Total Market Size	602.7	578.0	552.0
Total Local Production	350.0	330.0	340.0
Total Exports	86.3	87.0	88.0
Total Import	339.0	335.0	300.0
Imports from United States	13.4	14.5	15.7
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

5.2 Best Prospects in Agricultural Trade

Name of Sector: Agriculture and Food Industry

ITA Industry Code: AGC

HS Code: N/A

Demand for high quality U.S. food products is expected to grow as a result of increasing numbers of hypermarkets and food-chain stores. Most U.S. high value food products are imported through European intermediaries rather than directly. Food additives, rice, pulses, nuts, dried fruits and whisky are the major food products imported to Slovakia from the United States.

Niche markets for value-added agriculture input products such as seeds (sunflower and corn seeds) or livestock genetic materials (e.g., bovine semen) have strengthened.

Import of feed nutrition ingredients (e.g., soybean meal) is one of the best prospects for development of U.S. agricultural sales in Slovakia.

USD millions	1999	2000	2001Predicted
Total Market Size	2,146.2	2,200.0	1,745.1
Total Local Production	1,818.3	1,900.0	2,000.0
Total Exports	402.3	500.0	555.0
Total Imports	730.2	800.0	300.1
Imports from United States	9.8	10.0	10.3
Exchange Rate (SK/\$)	40 SK	44 SK	50SK

The above statistics are unofficial estimates. Source of statistics: Statistical Office

5.3 The biggest privatization projects

Slovenská plavba a prístavy, š.p. Bratislava (The Slovak Shipping and Ports Company) offers a full range of services for international and domestic water transport of all kinds of cargo via three ocean-going vessels. It's owned by the National Property Fund, which announced the privatization in March 2001. As the public tender was annulled, the 87 percent of shares will be offered in a new tender in August 2001.

Vodárne a Kanalizácie (Water utilities) will undergo free of charge transformation of five existing state-owned water utilities into six to eight water utility companies owned by municipal authorities, which should conclude by the end of June 2002.

Západoslovenské energetické závody, a.s. Bratislava is a power distribution company with activities in the territories of West Slovakia and of the capital of the Slovak Republic, Bratislava, ensuring reliable delivery of electric and heat energy. It is a state enterprise, established by the Ministry of Economy of the Slovak Republic that should be privatized by July 2002.

Transpetrol, a.s. Bratislava is the only operator of the pipeline system in Slovakia, ensuring petroleum transport through the Družba pipeline for both Slovakia and the Czech Republic, and pipeline Adria from the Adriatic Sea to Slovakia. Transpetrol is 100 percent owned by the Slovak Ministry of Economy.

Slovenský plynárenský priemysel, a.s. Bratislava is a wholesaler and retailer of gas and responsible as well for its transport and distribution.

Slovnaft, a.s. Bratislava is a refinery and petrochemical complex with the processing capacity of 5 to 5.5 million ton of crude oil and other feed-stocks per year, being one of major refineries in central Europe. As of July 1, 2001 its merger with Benzinol, a. s. Bratislava has been completed, creating a commercial company Slovnaft Benzinol.

Novácke chemické závody, a.s. Nováky, since 1994 a joint stock company, is active in the field of organic and anorganic chemistry and enjoys a significant domestic and international market share.

Energotel, a.s. is a company being created by all major Slovak energetic companies as a united telecommunication energetic net active in the field of voice telecommunication services via optic cables. It will soon be the competitor to current market leader, Slovak Telecom, owned by Deutsche Telecom.

Medical and health care institutions will undergo a second round of privatization, which should be launched after parliament's final approval of the proposed list of hospitals, clinics, sanatoriums, professional health care institutions, children health care institutions, healing centers, thermal spas (85.24 percent shares of Piešťany spa should be privatized by the end of summer 2001) and public pharmacies.

6.1 Free Trade Arrangements

European Union (EU)

Joining the EU has been a priority for Slovak foreign policy since the establishment of an independent Slovak Republic in 1993. The European Association Agreement between Slovakia and the EU was signed on November 4, 1993 and entered into effect from February 1, 1995. Political considerations slowed negotiations between 1993-1998. However, in 1999, accession negotiations were reopened and 2000 marked a pronounced qualitative change in the relationships between Slovakia and the EU. Slovakia informed the EU that it would not request any exceptions with respect to the implementation of the *acquis communautaire* (common body of law), and would only request a limited number of transition periods, mostly concerning areas where the performance of the economy must be improved or where big capital investments have to be made. The Slovak government also informed the EU of its readiness to adopt and implement the *acquis* by January 2004. Throughout the coming years, trade arrangements, and the administration of customs duties will be modified to conform to EU standards.

Central European Free Trade Agreement (CEFTA)

CEFTA was established in 1992 with other members including the Czech Republic, Hungary, Poland, Slovenia, Romania and Bulgaria. The goal of this trade group is to harmonize economic policy among members based on developing mutual trade through liberalization of trade relationships and removal of tariff barriers.

6.2 Trade Barriers: Tariff and Non-tariff

Customs Duties, taxes and other charges collected in connection with importation of goods. Foreign goods imported into Slovakia are subject to customs inspection and imposition of customs duty, taxes and import charges. Import duties (as well as the import surcharge, excise duty and value added tax) are collected by customs offices after submission of a customs declaration for release of these goods into the free circulation regime. All import charges are due within 10 days from notification by the customs authority.

6.3 Tariff Rates

The Customs Act distinguishes three types of customs duties, which in turn influence the tariff rate used: general (autonomous), agreed (WTO members and bilateral commercial agreements), preferential (General System of Preferences or international agreements on customs union or free trade zone). The criterion for determining these customs duties is the declaration of the origin of goods.

6.4 Customs Valuation

Slovakia is a member of the WTO and is bound by the GATT Agreement on Implementation of Article VII GATT 1994. In keeping with this, the basis for calculating the import duty is the customs value of the goods, including transportation costs and insurance from the point of loading to the border of Slovakia. The rules appear to provide a uniform and neutral system of valuation. Under Slovak legislation, customs valuation is specified by articles 20, 21, 22 and 28 of law No.618/1992 Coll.

6.5 Value Added and Excise Taxes

The customs authorities collect customs duties and, simultaneously, are administrators of value added tax (VAT) for imports. The basic VAT rate is 23 percent and the decreased rate for specified goods and services is 10 percent. The import VAT is based on the total of the customs value of the goods + customs duty + excise duty (if applicable). There have been periodic proposals to lower the basic VAT to 22 percent and to raise the decreased rate to 12 percent.

Excise duties are imposed on spirits and alcoholic beverages, hydrocarbon fuels and lubricants and tobacco products. Slovakia does not impose export duties.

6.6 Licenses for import and export of goods

The licensing system is Slovakia's primary non-tariff measure. The Ministry of Economy is authorized to issue import and export permits or licenses for sensitive goods with the objective of protecting the domestic market. The licensing procedure is governed by Regulation no. 15/1998 and amended Regulation no. 163/1999 on conditions for issuing official authorization for import/export of goods and services. These regulations also include individual lists of products subject to the licensing procedures. There are four specific licensing regimes:

a) Natural resources may be regulated by automatic and non-automatic (obligatory) licenses. Non-automatic import licenses are required for water, black coal, brown coal, crude oil and natural gas as well as beer. Automatic licenses are used for monitoring imports and as an early warning system of the need to introduce protection mechanisms. Export licenses are required for protected goods (e.g., raw materials, objects of historical or cultural value) and self-limited goods (such as textile goods exported to Norway, Canada and the United States, or metallurgical and agricultural products exported to the European Union) under annual quotas set by trading partners.

b) Extremely dangerous poisons, narcotics, psychotropic substances, precursors and additive chemical substances are subject to non-automatic licenses that may be issued upon written application of the Slovak importer/exporter of these goods. The license is not transferable.

c) Dual-use goods and technologies that can be used in military as well as civilian applications (Wassenaar system)

d) Weapons, ammunition, explosives, etc.

6.7 Certification and Standards

Most products must have an approval certificate stating that they meet Slovak product standards before the product can be cleared through Customs and allowed to enter Slovakia.

The Slovak Office of Standards, Metrology and Testing (OSMT) (www.normoff.gov.sk) is the central state body in the field of technical standardization and conformity assessment.

Slovak standards legislation is regulated by the Technical Requirements for Products and Conformity Assessment Act, which closely follows EU legislation. Conformity with Slovak technical standards is voluntary, except when specifically required by this Act or other technical regulation. Conformity to Slovak technical standards is only mandatory if there is direct reference to it in technical regulation. According to the law, importers or producers are responsible to assess the conformity of their product to technical requirements.

The Act sets up 11 categories of goods, a structure matching the EU classification. Approximately 95 percent of products fall into the first three modules, A, B and C. Producers or importers can declare conformance of products in category A without pre-market testing, while other modules require pre-market testing. The Directive on Technical Products temporarily moves a number of products, such as electrical equipment, chemicals, cosmetics, textiles, toys, machines and food products from module A into modules B + C and C.

The Slovak Government will gradually harmonize Slovak technical norms and legislation with EU legislation. As harmonization is implemented for a given product area, the affected products will be automatically moved into module A. The majority of the harmonization legislation was completed at the end of 2000.

6.8 Temporary Importation

Slovakia's Commercial Code provides for temporary importation with full or partial exemption from import duties, depending on the product. The temporary import regime allows for commercial use of foreign goods (which must remain in the ownership of the foreign entity), such as machinery and equipment, with the obligation to pay only part of the import charges proportional to the period of use in Slovakia. The customs duty to be paid is 3 percent for each month the goods are in Slovakia of the import charges, which would have been levied had the foreign goods passed into free circulation. The maximum period of temporary importation is 24 months and can be extended upon the customs broker's request.

Slovakia is a signatory of international customs agreements on ATA and TIR carnets, which allow for temporary import or transit of goods, without obligation upon the carnet holder to secure the customs debt and import charges in the country of transit or destination. The Slovak Chamber of Commerce and Industry is the national guarantee organization and executive body for ATA carnets. Cesmad Slovakia (Czech and Slovak Association for International Automobile Transportation) has the same responsibilities for TIR.

6.9 Re-entry of Goods; Warranty and Non-warranty Repairs

Slovak goods may be exported for processing or re-processing abroad, and then returned to the Slovak Republic. Upon return, duties are applied only to the value added abroad. Special conditions apply to repairs, depending on whether or not the repairs are made gratis. Warranty repairs are readmitted free of duty, while other repairs are charged duty based on the cost of the repair. Exchanges may be made free of duty provided the exchanged goods are truly equivalent.

6.10 Labeling/Marking Requirements

Slovakia introduced its own system of labeling in 1995, replacing the old Czechoslovak system. Under a 1995 State Language Law, companies are required to mark contents of domestically produced or imported goods, product manuals, product guarantees, and other consumer-related information in Slovak.

6.11 Prohibited Imports

Import of some commodities and from certain countries are subject to regulation, such as monitoring procedures, voluntary restraint agreements, import declarations and certificate of origin requirements.

6.12 Free Trade Zones/Warehouses

The Customs Act distinguishes between public and private bonded customs warehouses. Any importer observing warehouse regulations can use public customs warehouses, which are usually located near the customs office and operated by the Government or by regional organizations. Whether public or private customs warehouses are used, all import charges must be paid before goods are released into free circulation. The period for storing goods in the warehouse is not limited by the Customs Act.

7.1 Openness to Foreign Investment

Investment policy in the Slovak Republic has evolved toward far greater openness since the current government took power in October 1998. Although Slovakia never employed a formal screening process, the previous government had greater reservations about foreign ownership of Slovak companies. As a result, there was an unwritten preference for Slovak entrepreneurs in direct-sale privatization of companies. This approach explains Slovakia's ranking in Central Europe as a destination for foreign investment; government statistics show that by the end of 1999, Slovakia had received only one-sixth of the cumulative investment per capita received by Hungary and the Czech Republic.

The Slovak government appears to be serious about overcoming this gap and attracting more foreign investors. Its effort to improve rapidly the overall investment climate led to a record FDI inflow in 2000, with foreign direct investment of \$1.987 billion, the highest number since the fall of communism in 1989 and only slightly less than the total cumulative number for the preceding 10 years. Slovakia's cumulative FDI since it went independent from the Czech Republic in 1993 was at \$3.496 billion as of December 31, 2000, of which \$3,166.19 million went to corporate sector (53.5 percent in industrial manufacturing) and \$ 330.12 million into banking sector. (NOTE: See economic trend chapter for more statistical details.)

7.2 Improved Incentives for Investors

The Slovak government revamped its investment incentive package in 1999. This new package granted new foreign investors a five-year, 100 percent tax holiday for an investment of at least EUR 5 million, with a possible five-year extension. However, to qualify, investors were required to satisfy strict export requirements,

restrictions on debt financing, and a re-investment requirement to obtain an additional five-year tax holiday. Following complaints, Parliament approved an amendment, effective January 1, 2000, which offered the tax holiday to any companies "that manufacture goods that were on the territory of the Slovak Republic only imported or were not manufactured for the manufacture of goods for export." But this language left foreign investors uncertain about whether they would qualify.

Disappointed by FDI flows during 1999, the Slovak government went back to the drawing board. In May, the cabinet endorsed a three-part strategy that will substantially improve tax incentives, establish a new 'one-stop shop' to promote investment, and encourage cities to develop industrial parks. (Note: all of these provisions have not yet received approval by Parliament.)

Since May 2000 the Slovak government has enacted and steadily improved investment tax incentives. The foreign investment tax credit law was liberalized by an amendment, and has been valid since January 1, 2001. In addition, a second law intended for strategic investors (herein referred to as the strategic investors tax law) likely will be approved and in force by August 2001.

7.3 Foreign Investment Tax Credit (Act No 466/2000 Coll.)

This law provides all qualified taxpayers with a 100 percent tax holiday for the first five years of operation in Slovakia, starting with the year of the first profitable year. During the second consecutive five years, qualified taxpayers will receive a 50 percent tax holiday if the taxpayer increases the registered capital.

To qualify for the foreign investment tax credit, an applicant must meet two sets of criteria. The first, general set applies to all applicants and requires a foreign paid-in contribution to registered capital of at least 60 percent of the total during the entire period of the tax holiday, that taxpayer revenues must be at least 60 percent of total revenues for the entire tax holiday, that the taxpayer be registered in the Commercial Register before December 31, 2003, and that the taxpayer be a legal entity with either its seat in Slovakia, or be a branch of a foreign entity located in Slovakia.

The second set of criteria sets different qualification requirements (primarily in terms of the minimum contribution to registered capital) for taxpayers, based on the type and location of their activities.

For applicants involved in the production of goods, including their further treatment, or the completion of materials and components, a minimum monetary contribution to registered capital of EUR 4.5 million is necessary. If the applicant is engaged in such activities in regions where unemployment exceeds 10 percent, the minimum monetary contribution to registered capital shall be EUR 3.0 million. (Note: although the unemployment numbers vary throughout the country, the overall unemployment rate, as of May 2001, was 17.49 percent) If the applicant's activities are focused on selected personal transport services, recreational services, or services of applied software, the minimum contribution falls to EUR 2.0 million.

7.4 Strategic Investors' Tax Law

The strategic investors' tax law differs both in its qualification requirements and in the structure of the tax holiday that it provides. Qualified applicants would be required to create a new place of business, or upgrade an existing place of business or existing services, and invest SKK 400 million (\$8 million), of which at least half must come from the company's own funds. Furthermore, 80 percent or more of the company's turnover must be generated by the activities qualifying for the relief, and assets must be acquired and the proposed activities (production or provision of services) must begin within three years after approval of the incentive. If the activity is carried out in a region where unemployment exceeds 10 percent, the minimum investment requirement will be halved.

Qualified taxpayers will then receive a 100 percent tax credit for a full 10 years. In addition, qualified taxpayers are eligible for a grant from the government of Slovakia to retrain employees and/or create new jobs. The government will provide no more than SKK 10,000 (\$200) per employee for retraining, provided the employee continues to work for the employer for no less than 12 months after the completion of the retraining. The amount of the grant for new job creation will be determined by special regulation, and it will be available when the employer can verify that the new employee has been employed for at least 300 calendar days.

7.5 Industrial Parks Law

The government of Slovakia passed an Industrial Parks Law in March 2001, however, the Parliament has not yet determined the date of its effectiveness. The law should enable municipalities to develop special industrial zones in order to make it easier for foreign investors to bring capital and new jobs to Slovakia.

The law allows municipalities to receive funds from the central government to secure suitable land and build sufficient infrastructure. According to the law the central government may cover up to 70 percent of the costs to purchase or lease land and develop the infrastructure. To receive this grant a municipality must have land designated for such use in their community-zoning plan, raise at least 30 percent of the funds needed to establish the park and hold contracts with a minimum of two entrepreneurs, which demonstrate intent and financial assurance. Alternatively, the investor(s) proposing to do business from an industrial park may also put together the required funds. The government will give priority to municipalities with concrete investors and for industrial parks that will reduce the unemployment rate in the region. Funds of SKK 500 million (\$10 million) for capital expenditures with respect to the new Act have been set aside in the state budget for 2001.

The Slovak government also signaled its openness to foreign investment by rescinding the previous government's law on strategic privatization, which had prohibited privatization of a broad range of state-owned enterprises, including banks, an insurance company, natural monopolies in gas, power and telecommunications, and others. The new law permits complete privatization of most of these properties. It requires that the state retain a 51 percent share in the natural gas company, the power company, electricity distributors, and an oil pipeline; the state must retain ownership of the rail rights of way, postal monopoly, water supplies (but not suppliers) and forestry companies. The first major tender permitted by the new law, the sale of 51 percent of the telecommunications monopoly, ended with the selection of Deutsche Telekom as the company's new majority owner.

There are no preferential export or import policies affecting foreign investors.

7.6 Conversion and Transfer Policies

The Slovak crown (SKK or koruna) is fully convertible for current account and capital transactions. On October 1, 1998, the Slovak Central Bank abandoned the peg (a basket consisting of 60 percent German marks and 40 percent U.S. dollars) and permitted the crown to float. Since then, the crown has depreciated about 28.4 percent against the former parity. As of July 2001, the exchange rate was approximately 50 SKK to one U.S. dollar.

There are no difficulties in converting or transferring funds associated with an investment into a freely convertible currency. Very large transactions (over \$50 million) may require advance notice to the National Bank of Slovakia (NBS). Foreign exchange operations are governed by the Foreign Exchange Act, amended in 1999, effective January 1, 2000.

Customs authorities must be notified if more than 150,000 Slovak crowns (\$3,750) is being exported or imported, or if more than 20,000 crowns (\$500) is being sent in the mail.

7.7 Expropriation and Compensation

There have been no expropriation cases in Slovakia. The constitution and the law, including the Commercial and Civil Codes, permit expropriation only in exceptional cases of public interest, and compensation must be provided. The law also provides for an appeal process.

7.8 Dispute Settlement

There have been no major investment disputes in Slovakia. Slovakia is not a member of the International Center for the Settlement of Investment Disputes (Washington Convention). Slovakia is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitrage Awards.

The legal system comprises 43 district courts, four regional courts, and a Supreme Court, all under the jurisdiction of the Ministry of Justice. In addition, there is a Constitutional Court independent of government control. Judges are appointed initially for four years and subsequently either re-appointed for life or removed from office. Once appointed for life, judges may be removed only for cause. (However, the Ministry of Justice controls promotions, assignments, budgets, and various privileges.) Constitutional Court judges are appointed by the President to a single, seven-year term. District courts are courts of first instance in most criminal cases and minor civil cases. Regional courts are courts of appeal, but also of first instance in major criminal and civil cases. The Supreme Court in Bratislava is the court of final review except for constitutional cases, which are under the exclusive jurisdiction of the Constitutional Court in Kosice.

Property and contractual rights are enforced within the legal structure, but decisions may take years, thus limiting the utility of the system for dispute resolution. Slovak

courts recognize and enforce foreign judgments, subject to the same delays. The Commercial Code seems consistently applied. A bankruptcy law exists but has not been effective. However, several amendments that came into force August 1 should strengthen creditor rights.

Slovakia accepts binding international arbitration. The Slovak Chamber of Commerce and Industry has a Court of Arbitration for alternative dispute resolution; nearly all cases involve disputes between Slovak and foreign parties. Slovak domestic companies generally do not make use of arbitration clauses in contracts.

There are secured interests in immovable property, normally secured by physical possession of or conveyed title to the property in question until the loan is repaid. There is no system for registering security interests in moveable property. No mortgage law specifying the procedure for a foreclosure exists, and the inability to evict a residential tenant without providing alternative housing makes lending on the security of residential property impractical.

7.9 Performance Requirements/Incentives

There are no formal performance requirements for establishing, maintaining, or expanding foreign investments. However, there may be such requirements as conditions of specific negotiations for property involved in large-scale privatization by direct sale or public auction.

See the section, "Openness to Foreign Investment," for details on incentives.

The previous government had established domestic ownership requirements for telecommunications licenses, requiring that a domestic company hold 60 percent of the license. The present government abolished this requirement. However, there is still a requirement that 51 percent of broadcast licenses be held by domestic investors.

7.10 Right to Private Ownership and Establishment

Foreign and domestic private entities are entitled to establish and own business enterprises and engage in remunerative activity in Slovakia. Businesses are able to contract directly with foreign entities. All Slovak obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia.

The amendment to the Foreign Exchange Act effective from January 1, 2001 brought further liberalisation in the field of the acquisition of real estate necessary for obtaining business premises for non-residents with place of business in a member state of the European Union or Organisation for Economic Cooperation and Development, and an organisational unit established in the Slovak Republic. Foreign entities are no longer required to establish a legally registered Slovak company to own real estate in Slovakia.

7.11 Protection of Property Rights

Property and contractual rights are enforced within the legal structure, but decisions may take years, thus limiting the utility of the system for dispute resolution. There is

also a widespread conviction in business circles that corruption is a significant factor in the operation of the courts system.

Slovak courts recognize and enforce foreign judgments, subject to the same delays. The Commercial Code seems consistently applied, but is awaiting major revision. A bankruptcy law exists but has not been effective. However, several amendments that came into force August 1, 2000 did strengthen creditor rights.

Protection of intellectual property rights falls under the jurisdiction of two agencies. The Industrial Property Office has responsibility for most areas, while the Ministry of Culture is responsible for copyrights (including software). Slovakia is a founding member of the World Trade Organization (WTO) and succeeded to membership in the World Intellectual Property Organization (WIPO) upon the dissolution of Czechoslovakia. Slovakia adheres to major intellectual property agreements including the Bern Convention for Protection of Literary and Artistic Works, the Paris Convention for Protection of Industrial Property, and numerous other international agreements on design classification, registration of goods, appellations of origin, patents, etc. Patents, copyrights, trademarks and service marks, trade secrets, and semiconductor chip design appear adequately protected under Slovak law and practice. Slovakia expects to join the European Patent Convention by July 1, 2002, and in general aims to uphold European standards for protection of intellectual property.

However, pharmaceutical data at present is not adequately protected, although the government has pledged to remedy this situation. The WTO TRIPS agreement is legally in force in Slovakia, but there have been no cases brought to test actual enforcement.

7.12 Transparency of the Regulatory System

In general, transparency and predictability have been a problem on many issues involving investors. The process of obtaining residency permits for expatriate managers has been widely criticized as arbitrary and non-transparent. Investors also complain that the purchase of land and granting of building permits is a long, unpredictable process that can delay projects. In addition, the implementation of tax law is considered a problem, with the Ministry of Finance often unwilling to issue advisory opinions and the semi-independent Central Tax Administration (and its regional directors) adopting policies that may not be well-explained or consistent on a nation-wide basis.

The Commercial Code and the 1991 Economic Competition Act govern competition policy in Slovakia, which generally follows the European Union pattern. The Anti-Monopoly Office is responsible for preventing noncompetitive situations.

The Slovak Parliament in 1999 adopted a new law on public procurement, which is harmonized with EU legislation. It seeks to uphold principles of transparency, non-discrimination and competitiveness. The law also created a new Office of Public Procurement to ensure effective supervision of the procurement process.

7.13 Efficient Capital Markets and Portfolio Investment

As a result of Slovakia's joining the OECD, export of capital and outward direct investment were substantially liberalized. The amendment to the Foreign Exchange Act adopted on this purpose has abolished the need for a foreign exchange permit where, for instance, a Slovak entity receives from or provides loans to abroad. Nevertheless, there is still a reporting requirement on such transactions. The removal should now make it possible for Slovak companies to participate in cross border cash pooling arrangements, which were previously not possible.

Lifting of some restrictions on capital movements, in contrast, will be phased in. There is still permission required for a Slovak entity or person holding a bank account abroad and for owning foreign shares, for example, as a result of share option schemes. Deposits abroad by residents in domestic or foreign currency will not be liberalized until 2004. Residents that are not authorized foreign exchange entities will not be able to issue domestic securities on foreign markets until 2003.

Slovakia's banking market is gradually recovering from the credit crunch it had from 1998-2000 due to high interest rates and poor creditworthiness of domestic borrowers. The sector, from January 2001, is comprised of 19 banks; two branches of foreign banks and three specialized banking institutions. A total of five banks have been put under the central bank's forced administration since the country's birth in 1993, and three of them have been liquidated in the last year alone. The sector includes several foreign banks that engage in corporate lending: Dutch ING Barings, Citibank, Austrian-owned Tatra Banka and Ludova Banka, Belgian-owned CSOB, and German HypoVereinsbank.

Slovak commercial banks earned an aggregate gross profit of \$27.3 million in 2000, a dramatic improvement from \$338 million in losses in 1999. However, this favorable number was inflated by the release of provisions as bad loans were transferred out of the state banks. (Some of them would have reported operational losses in 2000, but reported gross profits driven by provisions). The assets of all Slovak banks totaled \$17.05 billion as of December 31, 2000, up 8.93 percent on the year. The total volume of classified loans in balance sheets stood at SKK 86.9 billion, with provisions of \$1.2 billion covering 69.2 percent at the end of December. Of the total, \$1.39 billion fell under the loss-making category, the riskiest, compared with \$1.8 billion as of December 1999.

The two largest government-owned banks, Slovenska Sporitelna with assets of \$3.9 billion, and Vseobecna Uverova Banka with assets of \$3.46 billion went private in 2000 and 2001. The former was acquired by Austrian Die Erste and the latter by Italy's IntesaBci. The third major state bank on the block is the troubled Investment and Development Bank, or IRB, with assets of \$547.8 million. Its privatization has entered the final stage, with Hungary's largest commercial bank, OTP Bank, as the sole qualified bidder for the 69.59 percent stake up for sale. Privatization also awaits medium-sized Postova Banka (assets of \$395.1 million), where the state holds 46.32 percent and Istrobanka (assets of \$547.3 million), with 72 percent indirectly controlled by the government through Slovenska Poistovna. The last piece, Banka Slovakia, the smallest bank in Slovakia with assets of \$82.9 million, in which the state plans to sell its 60 percent share, should go private along with Postova and Istrobanka not later than early 2002.

After the sale of VUB, foreign investors would control 88 percent of the total assets in Slovakia's banking sector, holding majorities in 15 of 21 banks operating in the country. Furthermore, if the government also manages to get rid of its holdings in Postova Banka, Istrobanka and IRB, as declared the share of foreign capital in total banking assets in Slovakia would reach 97 percent.

The two largest formerly state-owned banks, Sporitelna and VUB, and the IRB, had carried very large proportions of bad loans, about \$2.2 billion, but these loans have been transferred to a government-owned debt resolution agency for sale or liquidation.

Slovakia's stock market is weak. The SAX index has declined steadily; foreign interest is low, in part because shareholder protections are weak in Slovakia. Activity on the corporate bond market has almost dried up. As of July 1, 2001 the Bratislava Stock Exchange (BSSE) opened a floor for trading in foreign securities in order to boost the market sentiment. However, there is only very weak hope that such step may fuel the market engine. BSSE's trading system enables it to organize securities trading in any currency and to structure stock exchanges practically without restrictions. Eurobonds of the Slovak government, denominated in Euros, maturing in 2004 and 2010, and bonds of Nordic Investment Bank, denominated in Slovak crowns, maturing in 2002, were the first issues of foreign securities to be accepted on the BSSE open market.

7.14 Political Violence

There have been no reports of politically motivated damage to property, and civil disturbances are rare. There has been no violence directed toward foreign-owned companies. While not aimed at Americans, organized crime has been on the rise in Slovakia, and violence between rival organizations has resulted in fatalities.

7.15 Corruption

In 1998 the Dzurinda government proclaimed the fight against corruption a priority. Since then the Government has drafted a National Program for the Fight Against Corruption, appointed a corruption steering committee, amended the criminal code in attempts to strengthen law enforcement, approved a law modernizing public procurement, and enacted a strong freedom of information act. The press has taken a more active role in condemning corruption, and public awareness has increased. The Slovak Chapter of Transparency International is active and has participated in some major public tenders. However, despite these steps, the public continues to perceive corruption as a significant problem and business leaders claim that corruption is endemic.

Slovakia is still considered one of the most corrupt Central European countries, ranking 51 out of 91 countries in the 2001 Transparency International Survey. A USAID-sponsored survey completed for the World Bank indicated that 92 percent of the population view corruption as a very serious problem, particularly in the health sector (62 percent), courts and legal system (58 percent), the police (50 percent), ministries (43 percent), customs offices (42 percent), and tax authorities (40 percent). Further, a survey commissioned by U.S. Embassy Bratislava's Office of Public Affairs

indicated that 79 percent of Slovaks think that all officials participate in corrupt activities.

The U.S. provides two resident advisors in Bratislava from the Central and East European Law Initiative (CEELI) of the American Bar Association who are active in both law enforcement and legislative reform related to corruption. Further, the USG has brought in corruption experts for consultations. The U.S. government also awarded a grant to Transparency International to carry out a campaign to promote public awareness of corruption. In June 2001 the USG, together with Transparency International, sponsored an international conference on fighting corruption in the New European Democracies.

7.16 Bilateral Investment Agreements

Slovakia has bilateral investment agreements with the following countries: Australia, Austria, Belgium, Bulgaria, Canada, China, Croatia, Cuba, Denmark, Egypt, the Federal Republic of Yugoslavia, Finland, France, Germany, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, North Korea, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, United Kingdom, the United States, and Uzbekistan.

The Overseas Private Investment Corporation (OPIC), located in Washington, DC, has been active in Slovakia. OPIC offers U.S. investors insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. OPIC can provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Slovakia. Slovakia is a member of the Multilateral Investment Guarantee Agency (MIGA).

7.17 Labor

Slovakia has a well-educated and skilled labor force of more than two million. Literacy in Slovakia is universal, and most workers are sufficiently educated and technically skilled. Overstaffing is still typical at many Slovak companies, especially larger and state-owned enterprises. Many professionals and bureaucrats are relatively poorly paid by U.S. standards. Slovakia has a relative shortage of workers with foreign language and Western-style management skills, and salaries for such workers are correspondingly high. Foreign companies frequently praise the motivation and abilities of younger workers, who often have good language and computer skills and have traveled in the United States or Europe.

The workweek is standardized at 42.5 hours. The minimum wage is about \$90 per month, but almost all workers earn more. Strikes have been rare, and fewer than 75 percent of Slovak employees belong to unions. Trade unions form one leg of the so-called "Tripartite Arrangement," along with the government and employers' associations. The unions generally have been tolerant of the costs imposed on labor by economic transformation, but a more aggressive union leadership has emerged that is more politically engaged and more active among its membership. This suggests that the unions may adopt a firmer line in the future.

Slovak social insurance is compulsory and includes a health allowance, unemployment insurance, and pension insurance. The health insurance contribution now stands at 14 percent of a base monthly salary with a ceiling of SKK 32,000 (\$640), of which the employer pays 10 percent and the employee 4 percent. The required sickness insurance contribution is currently 4.8 percent and pension security is 28 percent of a base monthly salary with a ceiling of SKK 32,000 (\$640) of which the employer pays 3.4 percent of salary for sickness and 21.6 percent to the pension fund on behalf of each employee. Employees pay an additional 1.4-percent of salary to the sickness fund and 6.4 percent to the pension fund. The self-employed pay all contributions themselves (about 49 percent).

Slovakia is a member of the ILO and adheres to the ILO Convention Protecting Worker Rights.

Wages in the Slovak economy appear to have bottomed out, a good signal for growth prospects. The nominal monthly wage in the Slovak economy on average was up 7.8 percent in the first quarter of 2001 over the first quarter of 2000, to SKK 11,315 from SKK 10,497 a year ago. More important, real wages increased for the first time after 6 quarters of decline, gaining 0.6 percent year on year for the first three months of 2001. For all of 2000, real wages in Slovakia were down 4.9 percent. The average nominal monthly wage stood at SKK 11,430 last year, 6.5 percent over the 1999 level.

7.18 Foreign Trade Zones/Free Ports

There is a 12-hectare free trade zone in Kosice. Plans exist for an expansion of the zone and for intensifying its cooperation with its Hungarian and Ukrainian neighbors. A second, larger free trade zone in Bratislava is also being planned. The existing zone is not a significant factor in the Slovak economy and has not played an important role in attracting foreign investment.

7.19 Foreign Direct Investment

Slovakia received in 2000 foreign direct investment (FDI) of \$1.987 billion, the highest influx since the fall of communism in 1989, putting the cumulative FDI since it went independent from the Czech Republic in 1993 to \$ 3.496 billion as of December 31, 2000. Of that \$ 3,166.19 million went to the corporate sector (53.5 percent in industrial manufacturing) and \$330.12 million into the banking market. Germans were on the top as foreign investors, with \$968.9 million (27.7 percent of the total), followed by the Netherlands, with \$792.5 million (22.7 percent) and Austria, \$529.4 million (15.1 percent). U.S.-capital took the fourth position, with cumulative investment of \$311.3 million in Slovakia (8.9 percent). The largest U.S. investor is U.S. Steel, which acquired all core assets of the steel mill VSZ Kosice, for a financial package, which includes \$ 325 million debt assumption, \$ 60 million cash payment and between \$ 25 million and \$75 million for shareholders distribution.

Despite the record year of 2000, which brought almost as much investment as preceding 10 years in total, Slovakia still ranks way behind its Central European neighbors in FDI. Cumulative, net FDI per capita, from 1989 through December 31, 2000, was \$1,884 in the Czech Republic, \$1,935 in Hungary, and \$751 in Poland; but

in Slovakia, it was only \$669, according to statistics provided by the European Bank for Reconstruction and Development.

Most of 2000 investment, 46.3 percent, went into transport, storage and telecommunications (primarily result of the purchase of 51 percent majority in Slovak Telecom by Deutsche Telekom of Germany for EUR 1 billion), followed by industrial production, which succeeded to attract 45.8 percent of total FDI influx in 2000. A big upswing in FDI also occurred in the trade sector, as multinationals such as British hypermarket operator Tesco, Belgian supermarket chain Delvita and other retailers widen their operations across Slovakia. About 60 percent of the investment went into the region of Bratislava and 31.3 percent to the district of Kosice.

Important U.S. investors include USX (U.S. Steel), Emerson Electric, Philip Morris, Whirlpool, Johnson Controls, ON Semiconductor (formerly Motorola), Delphi Automotive, Citibank, and IBM. (Some American companies -- e.g., Pepsi-Cola and Coca-Cola -- are registered under foreign subsidiaries and thus do not appear as U.S. investments in Slovak statistics.) The American Chamber of Commerce in Slovakia was founded in October 1997 and has 185 members.

8.1 Brief Description of Banking System

The Slovak banking system is based upon a European model rather than a U.S. model and is governed by the Slovak Banking Act Under Slovak law commercial banks may carry out investment banking and brokerage activities as well as traditional commercial transactions and lending, subject to the issuance of a license by the National Bank. The National Bank controls application requirements, minimum capital and reserve requirements, and bank supervision.

Foreign banks can establish either representative offices or full-fledged branches. Representative offices may offer advice and inform clients of the services of the parent bank, but may not perform services such as opening accounts or lending. Branches may handle any transactions authorized by the parent bank. Foreign banks must agree to take over the assets and liabilities, if the Slovak branch experiences financial problems, effectively guaranteeing the financial health of the branch. Thus far, foreign banks in Slovakia have concentrated on providing international payment services and loans to foreign clients or Slovak companies that have extensive export business.

Currently, there are 35 banks operating in Slovakia: 11 Slovak banks, 12 banks with foreign capital participation, two branch offices of foreign banks and 10 representative offices of foreign banks. Most commercial banks are registered as joint-stock companies and are headquartered in Bratislava. However a few are based in Zilina, Banska Bystrica, and Kosice.

The interbank payment system is based on the existence of a single clearing center, and according to law, all banks are obliged to carry out all their domestic payment transactions through this center. The clearing center is not an organizational unit of the central bank, but is an independent legal entity in the form of a joint stock company set up by the banks. It is called the Slovak National Clearing Center. Its

majority shareholders are the National Bank of Slovakia, the Slovak Ministry of Finance, and the commercial banks.

Security of the interbank payment system in Slovakia is based on a high level of data protection at all stages of processing and settlement, both at Slovak National Clearing Center and National Bank of Slovakia. All participants in the interbank payment system of SR must have a backup facility for both data transfer and processing.

Most payments are made by credit transfer and collection. All transactions are processed in the same way, i.e. "large" as well as "small" payments. The system also processes check transactions. Processing and settlement of a credit transfer, from debiting the amount in the account of the payer in one bank to crediting the account of a payee at the other bank takes three days. In the case of a collection order, settlement proceeds only after a non-accounting collection call on the part of a payee and subsequent credit transfer by the bank of the payer, so the process may take up to five days.

8.2 Foreign Exchange Controls Affecting Trade

The Slovak Crown is internally convertible, and is fully convertible for current account transactions. All hard currency payments are made against an invoice, if the Slovak company has enough funds to cover the transaction.

8.3 General Financing Availability

Normal commercial financing is possible in Slovakia but can be difficult to obtain for Slovak companies. High interest rates and tough credit requirements restrict availability of bank credit, especially for small and medium sized enterprises (SME).

U.S. companies may wish to obtain financing from either Western banks outside of Slovakia or Western banks with offices in Slovakia. A list of banks which finance projects in Central and Eastern Europe including Slovakia, may be obtained from the U.S. Department of Commerce's Central and Eastern Europe Business Information Center at www.mac.doc.gov/eebic/ceebic.html.

Large-scale project financing may be obtainable from multilateral lending institutions such as the European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC), or the European Investment Bank (EIB). Other methods of financing include: (1) the Prague-based venture capital firms such as Renaissance and Advent, that have expanded their operations to include Slovakia; (2) the Slovak-American Enterprise Fund, which was endowed by the U.S. Congress and provides support for the growth of the Slovak SMEs; and, (3) the Overseas Private Investment Corporation (OPIC).

Methods of payment are similar to those in the United States and Western Europe and include payments in advance (including via Swift), letters of credit, and bank guarantees.

8.4 Types of Available Export Financing and Insurance

U.S. exporters may obtain export financing and insurance for their transactions through the Export-Import Bank of the United States (EXIM). The full range of EXIM

services are available for export transactions with Slovak companies. These services include: (1) short-term credits with repayment terms of 180 days or less; (2) medium-term credits with repayment terms of one to five years; and, (3) long-term financing options for transactions of over \$10 million. For a more detailed description of EXIM and its services, go to www.exim.gov.

Similarly, Slovakia has an Export Credit Insurance Corporation (SPE) which is licensed for the insurance of export credit contracts. SPE provides short, medium and long-term coverage for Slovak exporters against commercial and political risk under the condition of at least 60 percent content of domestic production in the exported goods.

Also, a state owned Export Import Bank (EXIMBANKA SR) was established by the Slovak Government in 1997 for support of export and import activities of exporters and importers by financing export credits, insuring export credits and financing import credits. Their web site is: www.eximbanka.sk

U.S. firms may obtain funding for feasibility studies of infrastructure projects that will lead to significant U.S. exports from the U.S. Trade and Development Agency (TDA). To learn more about TDA, go to www.tda.gov.

8.5 Project Financing Available

Project financing is available, including lending from multilateral institutions and government funded institutions. Sources include:

- The Overseas Private Investment Corporation (OPIC), U.S. investors in Slovakia may take advantage of a full range of financing and insurance options from the Overseas Private Investment Insurance Corporation (OPIC). For detailed information regarding OPIC and its services, go to www.opic.gov.
- The Slovak American Enterprise Fund (SAEF), a U.S. Government-funded program designed to promote the development of the Slovak small and medium size private sector. The fund is used primarily for equity investments. Joint ventures with foreign companies are eligible but not required. Advisory assistance and trading are also provided to strengthen an enterprise's ability to achieve sustainable economic and employment growth while competing in a free market society. For more information contact Ms. Iveta Griacova, Tel.: (421-2) 5273 1317; Fax: (421-2) 5273 1323, or go to www.saef.sk.
- The European Investment Bank (EIB), which grants credits for protection of the environment, energy efficiency, travel and tourism industry. Projects specifically excluded from this financing include heavy industry and other industrial branches such as textiles, consumer electronics, and automobile parts. Their web site is www.eib.org.
- The European Bank for Reconstruction and Development (EBRD), which has a variety of mechanisms to foster economic growth including loan guarantees and large-scale project financing. For more information you may contact Alexander Auboeck, Regional Director of the local EBRD office in Bratislava Grosslingova 4.

Tel: (421- 2) 5296-7835, Fax: (421-2) 5292-1459. You may also obtain more information at www.ebrd.org

- International Finance Corporation, a member of the World Bank Group that offers long term loans, equity investment, guarantees and standby financing and risk management. For more information, you should contact Pavol Vajda, Director, Bratislava, Michalska 19, Tel: (421- 2)5441-4528, Fax: (421-2)5441-4525.

8.6 List of Banks with Correspondent U.S. Banking Arrangements

Ludova Banka (through Volksbank of Vienna, Austria):

- Citibank, NY
- Chase Bank, NY
- Bank of New York, NY
- Bank of America, International, NY

Slovenska Sporitelna:

- American Express Bank, NY
- Bankers Trust, NY
- Bank of America, NY
- Citibank, NY
- First Union National Bank
- Bank of New York
- Philadelphia National Bank
- Chase Bank, NY

Tatra Banka (through Tatra Raiffeisen, Austria):

- American Express Bank, NY
- Bankers Trust, NY

Vseobecna Uverova Banka (VUB):

- Citibank, NY
- Chase Manhattan Bank, NY
- Bank of America, NY
- American Express Bank, NY
- Bankers Trust Company, NY

Subsidiaries of U.S. banks in Slovakia:

American Express Ltd.

c/o Tatra Banka

Vajanskeho nabrezie 5

810 11 Bratislava 111, Slovak republic

telephone: (421-2) 5967 1111, 6865 1111

fax: (421-2) 6865 1410324 760

Citibank (Slovakia) a.s.

Viedenska cesta 5 (Incheba bldg.)

852 51 Bratislava, Slovak Republic

telephone: (421-2) 68278 111

fax: (421-2) 68278 200

9.1 Business Customs

Business practice and etiquette in the Slovak Republic is a cross between that of western Europe and the United States on the one hand, and eastern Europe and Russia on the other. Slovaks are generally well disposed towards Americans. While English as a business language is increasingly accepted in the Bratislava area, German is more common throughout the country. Russian is widely understood but may not always be welcomed. Many, but by no means all, Slovak companies have English speakers among their top managers; U.S. business representatives should be prepared to do business through interpreters and allow for the possibility of occasional misunderstandings.

Decision making in a company is often restricted to very few, if not just one, person. Even relatively minor decisions may require the approval of a high level official. Appointments should be made well in advance with confirmations made prior to scheduled appointments.

Titles and positions (e.g., "Ing." for Engineer) are highly regarded and routinely appear on business cards.

The week is defined as in many European countries. The workweek runs Monday through Friday (40 working hours). Saturday and Sunday are days off for most workers.

Business people occasionally have difficulty in receiving replies to letter or fax correspondence. Often mail or faxes do not reach recipients in a timely manner. Business people are encouraged to follow up with correspondence to ensure contact with the intended recipients. The number of Slovak Internet users is growing steadily. Most companies are using email as a new way of communicating.

Successful business in Slovakia generally requires the establishment of a good personal relationship and a feeling of mutual trust. General social conversation prior to business is the norm, and launching directly into business may impede the development of a good personal relationship with the Slovak business partner.

After initial meetings, written summaries of goals, objectives, and points of agreement or disagreement are encouraged to minimize misunderstandings between business parties.

9.2 Travel Advisory and Visas

There have been no travel advisories issued for the Slovak Republic. Americans are allowed to enter the country for 30 days on a tourist passport without a visa.

Individuals who wish to stay in Slovakia for longer than 30 days must submit an application for a long term stay permit (Ziadosť o vydanie povolenia na dlhodobý pobyt) to the Embassy of the Slovak Republic, Consular Section, 3523 International Court NW, Washington, DC 20008 (Tel: (202)-237-1054), www.slovakemb.com. Meeting the requirements of Slovak law to obtain a long-term stay permit can be a long and difficult process, with health and police checks, among other things, needed

to complete the process. Slovak authorities have been repeatedly criticized for the length and non-transparency of this process. Permits are granted for not more than one year with the possibility of extension provided that an application for a renewal of the permit is submitted at least 14 days prior to the expiration of the valid permit. U.S. companies with foreign representatives should contact the nearest Slovak embassy or consulate for further details.

9.3 Holidays

The following holidays will be observed in the Slovak Republic from January 1, 2002 to December 31, 2002:

January 1	(Tuesday) Republic Day, New Year's Day
January 6	(Sunday) Epiphany
March 29	(Friday) Good Friday
April 1	(Monday) Easter Monday
May 1	(Wednesday) Labor Day
May 8	(Wednesday) Slovak National Day
July 5	(Friday) St. Cyril & St. Methodius Day
August 29	(Thursday) Slovak National Uprising
September 1	(Sunday) Slovak Constitution Day
September 15	(Sunday) The Day of the Virgin
November 1	(Friday) All Saints Day
December 24	(Tuesday) Christmas Eve
December 25	(Wednesday) Christmas Day
December 26	(Thursday) St. Stephen's Day

9.4 Business Infrastructure

Transportation: Slovakia's transportation system is well organized if somewhat old. Bratislava's International Airport offers flights to Prague, Tel Aviv, Kuwait, Larnaca, Moscow, Munich and Kosice, Slovakia's second largest city. Most travelers prefer to use Vienna's Schwechat airport and take the airport bus or automobile to Bratislava. Overland travel by train is reliable. Travel by automobile is also possible, although -- due to many narrow two-lane roads -- travelers often find that car travel can take longer than expected.

Slovakia imposes a "road user fee" for certain roads. The fee applies to all Slovaks and foreigners. The yearly fee varies with engine size. Engine sizes that are 1,600 cubic centimeters or less cost 400 Slovak crowns (approximately \$8). Engines over 1,600 cc cost 800SK (approximately \$16), and trucks and buses from 2,000 to 4,000 SK, depending on the weight (\$40 - \$80). Stickers can be purchased at border crossings, gas stations and post offices. If use of a rental car is planned, try to rent a vehicle that already has a sticker showing that the road fee has been paid.

Taxi service is readily available. Most drivers do not speak English, although certain taxi services do have dispatchers and many drivers, who do speak some English. Potential difficulties may arise from the confusing system of multiple rates (based on distance, location, and how the taxi was called, whether by telephone or at a taxi stand). Foreigners should confirm a price in advance. It is advisable to call for taxis

rather than catch them on the street, as radio-service companies are quite reliable. All major cities have trams and bus services that are convenient and inexpensive.

Telecommunications: Slovakia is upgrading its telecommunication system. Cellular GSM telephone service is commonly in use, with two major providers. The Slovak PTT provides ATM and ISDN services. Telex services are available, but not commonly used. Other data communication services (e-mail, Internet) are quickly expanding throughout the country.

Accommodations and food: Business accommodations are available, but limited. Hotel standards are generally lower than those of Western Europe and the United States, though prices may be high in major cities. It is legal and not uncommon for foreigners to be charged a higher rate than Slovaks are. The food is varied and of good quality, mixing Slovak, Austrian and Hungarian styles. Food prices in restaurants are generally not expensive, averaging about \$3-12 per meal. Travelers to Slovakia should note that while major credit cards are increasingly accepted at major hotels and restaurants in Bratislava, acceptance lags in other parts of the country. Travelers should expect to pay for services in Slovak crowns.

Business travelers to Slovakia seeking appointments with Commercial Service trade specialists in Bratislava should contact the Commercial Service, Grosslingova 35, 811 09 Bratislava, Slovakia, Tel.: (421-2) 5296-1079, Fax: (421- 2) 5296 -1085, email: bratislava.office.box@mail.doc.gov. (Note: Commercial Service Bratislava is scheduled to move to new offices in September 2001, please go to www.usatrade.gov for the most up-to-date address). We recommend arranging an appointment prior to departure from the United States to make sure the right specialist is available when you are in Slovakia.

10.1 Appendix 1: General Democratic Details

Official Name	Slovak Republic
Date of Establishment	January 1st, 1993
Land Area	49,035 square m
Capitol	Bratislava
Population (as of Dec 31, 2000)	5,402,547
Of which: men	2,626,061
Women	2,776,486
Population Growth	0.14% (average, 1996-2000)
Religion	
Catholic	60.4%
Evangelic	6.2%
Other	9.8%
Atheist	17.8%
Form of State	Parliamentary Republic
Head Of State	President
National Legislature	Slovak National Council of 150 members
Executive Power	Government
Electoral System	Universal direct suffrage for party lists, proportional representation subject to 5 % threshold
Nationalities	Slovak (85.62%) Hungarian (10.53%)

Language	Russian, Ukrainian, Romany, German, Polish, Czech and other
Work Week	Slovak 42.5 h

10.2 Appendix 2: Economy

	1999	2000	2001F****
Nominal GDP (USD billions)	19.7	19.2	20.8
GDP Growth Rate (%)	1.9	2.2	3.4
Nominal GDP per capita (USD)	3,649	3,552	3,842
Government Spending (% GDP)	19.46	15.41	NA
Inflation (CPI, End-Year, YoY %)	14.1	8.4	7.4
Unemployment (%)**	16.2	18.6	18.7
Foreign Exchange Reserves (USD billions)	3.441	4.077	5.235
Average Exchange Rate (SKK/USD)	41.38	46.22	47.56
Foreign Debt (USD billions)	10.517	10.804	11.2
Debt Service Ratio (%)	NA	NA	NA
U.S. Assistance (USD millions)*	5.463	-	-

* Total assistance since 1990 = USD 187,655,000

** Unemployment based on labor survey conducted by the Statistical Office

*** The shortfall in absolute volume of nominal GDP between 1999 and 2000 in spite of the real GDP growth is due to depreciation in SKK rate that was used in conversions of currencies

**** Forecasts of ING Barings Bratislava

10.3 Appendix 3: Trade

	1999*	2000	2001***
Total Exports	10,226	11,869	13,300
Total Imports	11,332	12,786	14,700
U.S. Exports**	127.20	102.20	-
U.S. Imports**	169.30	224.20	-

In USD million

* Final numbers were partially distorted due to depreciation in SKK rate that was used in conversions of currencies

** Data released by U.S. Census Bureau (differs from official figures published by Slovak Statistical Office)

*** Forecasts of well-respected think-tank MESA 10

11.1 U.S. Government Offices

Embassy of the United States of America
Hviezdoslavovo nam. 5
811 02 Bratislava
Tel.: (421-2)5443 0861, 5443 3338
Fax: (421-2)5443 0096
www.usis.sk

U.S. Commercial Service, Embassy of the United States of America
Address until September 2001: Grosslingova 35
Address from October 2001: Hotel Carlton, Hviezdoslavovo Namestie
811 09 Bratislava

Tel.: (421-2)5296 1079, 5296 1090
Fax: (421-2)5296 1085
Senior Commercial Officer: Joseph Kaesshaefer (resident in Vienna)
Senior Commercial Specialist: Marian Volent

The Central and Eastern Europe Business Information Center (CEEbic)
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230
Tel. (1-202) 482-2645
Fax. (1-202) 482-3898
www.mac.doc.gov-eebic-eebic.html
International Trade Specialist: Michael Rogers

United States Agency for International Development (USAID)
Hviezdoslavovo nam. 5
811 02 Bratislava
Tel.: (421-2)5922 3120
Fax: (421-2)5443 4711
Country Coordinator: Hough Richard

11.2 Slovak Government Offices

Government of the Slovak Republic
Nam. slobody 1
813 70 Bratislava
Tel.: (421-2)5729 5111
Fax: (421-2)5249 7595
www.government.gov.sk
Prime Minister: Mikulas Dzurinda
Deputy Prime Minister for Economy: Ivan Miklos

Ministry for Administration and Privatization of National Property
Drienova 24
820 09 Bratislava
Tel.: (421-2) 4829 7111
Fax: (421-2) 4333 3335
www.privatiz.gov.sk
Minister: Maria Machova

State Secretary: Vladimir Drozda

Ministry of Agriculture
Dobrovicova 12
812 66 Bratislava
Tel.: (421-2)5926 6111, 5292 2150, 5296 1571
Fax: (421-2)5296 1834
Minister: Pavel Koncos
State Secretaries: Ladislav Konozsi, Ivan Rosival

Ministry of Construction and Public Works
Spitalska 8
816 44 Bratislava
Tel.: (421-2) 5975 1111, 5975 3710
Fax: (421-2) 5293 1203, 5296 7054
www.build.gov.sk
Minister: Istvan Harna
State Secretaries: Roman Sipos, Peter Mattos

Ministry of the Environment
Nam. L. Stura 1
812 35 Bratislava
Tel.: (421-2) 5956 1111, 5956 2306
Fax: (421-2) 5956 2031, 5956 2438
www.lifeenv.gov.sk
Minister: Laszlo Miklos
State Secretary: Zdenka Tothova

Ministry of Economy
Mierova 19
827 15 Bratislava
Tel.: (421-2)4854 1111, 4333 4000, 4333 2041
Fax: (421-2)4333 7827, 4333 8604, 4342 3949
www.economy.gov.sk
Minister: Lubomir Harach
State Secretaries: Peter Brno, Jan Sabol

Ministry of Finance
Stefanovicova 5
811 05 Bratislava
Tel.: (421-2)5958 1111-2, 5958 2201, 5958 2247
Fax: (421-2)5249 3531
www.finance.gov.sk
Minister: Brigita Schmognerova
State Secretaries: Viliam Vaskovic, Vladimir Podstransky

Ministry of Foreign Affairs
Hlboka cesta 2
833 36 Bratislava
Tel.: (421-2)5978 1111, 5978 3001, 5978 3002

Fax: (421-2)5978 2213, 5978 3009
www.foreign.gov.sk
Minister: Eduard Kukan
State Secretaries: Jan Figel, Jaroslav Chlebo

Ministry of Transportation, Posts and Telecommunications
Nam. slobody 6
810 05 Bratislava
Tel.: (421-2)5949 4111, 5273 1438, 5557 7616
Fax: (421-2)5249 4794, 5273 1440
www.telecom.gov.sk
Minister: Jozef Macejko
State Secretaries: Dusan Faktor, Michal Balog

National Property Fund
Drienova 27
821 01 Bratislava
Tel.: (421-2)4827 1474
Fax: (421-2)4827 1484
www.natfund.gov.sk
President: Jozef Kojda

Slovak Office of Standards, Metrology and Testing
Stefanovicova 3, P.O. Box 76
810 05 Bratislava 15
Tel.: (421-2)5249 1085
Fax: (421-2)5249 1050
www.normoff.gov.sk
Director: Dusan Podhorsky

Slovak Agency for Development of Investment and Trade (SARIO)
Drienova 3
821 02 Bratislava
Tel.: (421-2)4342 1851, 4342 1852
Fax: (421-2)4342 1853
www.sario.sk
Investment Operations Director: Jorgen Varkonda

Customs Directorate of the Slovak Republic
Mierova 23
821 05 Bratislava
Tel: (421-2)4329 3281
Fax: (421-2)4329 3281
Director: Milan Jasenovec

Statistical Office of the Slovak Republic
Mileticova 3
824 67 Bratislava 26
Tel.: (421-2)5023 6111, 5542 5802
Fax: (421-2)5542 4601, 5542 4587
Director: Peter Mach

11.3 Other Organizations Useful to American Business

American Chamber of Commerce in the Slovak Republic

Hotel Danube, Rybné nám. 1

813 38 Bratislava

Tel.: (421-2)5934 0508

Fax: (421-2)5934 0556

www.amcham.sk

Executive Director: Jake Slegers

Slovak American Enterprise Fund

Obchodná 58, P.O.Box 100

810 00 Bratislava 1

Tel.: (421-2)5273 1317

Fax: (421-2)5273 1323

www.saef.sk

President: Iveta Griacova

National Agency for the Development of Small and Medium Enterprises

Prievozská 30

821 05 Bratislava

Tel.: (421-2)5341 7328, 5341 7330, 5341 7333

Fax: (421-2)5341 7339

www.nadsme.sk

Director: Jozef Majtan

Slovak Chamber of Commerce and Industry (SOPK)

Gorkeho 9

816 03 Bratislava

Tel.: (421-2)5413 1228, 5443 3291

Fax: (421-2)5443 0754

www.sopk.sk

Chairman: Peter Mihok

M.E.S.A. 10 (Market Research)

Hviezdoslavovo nám. 17

811 02 Bratislava

Tel.: (421-2)5443 5328, 5443 4009

Fax: (421-2)5443 2189

www.mesa10.sk

Executive Director: Viktor Niznansky

FOCUS (Center for Social and Market Analysis)

Grosslingova 37

811 09 Bratislava

Tel.: (421-2)5293 1366, 5293 1367

Fax: (421-2)5293 1378

www.focus.sk

Director: Miroslav Kuska

National Bank of Slovakia
Sturova 2
813 25 Bratislava
Tel.: (421-2)5953 1111, 5953 1112
Fax: (421-2)5413 1167
www.nbs.sk
Governor: Marian Jusko

Tatra Banka
Vajanskeho nabrezie 5
810 11 Bratislava
Tel.: (421-2)5967 1111
Fax: (421-2)5967 1410
www.tatrabanka.sk
General Director: Rainer Francz

Vseobecna uverova banka (General Credit Bank)
Mlynske Nivy 1
P.O. Box 90
829 90 Bratislava 25
Tel.: (421-2)5441 0510
Fax: (421-2)5441 0600
www.vub.sk
President: Ladislav Vaskovic

The U.S. Department of Commerce's Commercial Service provides useful services to American companies seeking potential business in Slovakia.

12.1 International Partner Search (IPS)

International Partner Search (IPS) assists U.S. firms in obtaining interested and qualified overseas partners for their services or products. The post initially screens the possible agents, distributors, joint venture partners, manufacturer's partners, franchisees, licensees or strategic alliance partners, then directly contacts the top prospects to review the U.S. firm's products or services marketing objectives. The IPS fee is \$600.00.

12.2 Gold Key Matching Service.

The Gold Key Service takes this step further by offering face-to-face appointments with Slovak contacts, when the representative from U.S. firm is visiting Slovakia. The fee is \$500.00 for first day of visit (up to 6 appointments per day) and \$200.00 each additional day. This fee includes the rent of conference room and hotel reservation. Interpreting service is paid by U.S. firm.

12.3 Customized Market Research

Customized market research is a concise report that is written at your request and answers questions such as the overall marketability of your product or service, market trends and size, customary distribution and promotion practices, market entry

requirements, regulations, product standards and registration, key competitors, and potential agents, distributors, or strategic partners. Work with us to design your own set of up to 9 questions and we will find the answers. The fee is \$2,000. Six weeks lead-time is required.

12.4 Screened/Unscreened Contact Lists

Upon request we can provide you with a list of importers and distributors or end - users, either screened or unscreened, that you can contact directly. A screened list of up to 10 potential partners has been checked by our office and contains company name, address, telephone, fax, email where available, a contact person, and a brief description of the firm. An unscreened list of up to 20 contacts is taken directly from our database and contains company name, address, telephone, fax, and email where available. The fee for screened list is \$100.00. Unscreened list costs \$30.00.

12.5 Client Facilitation Service - Foreign Government Tender Information

Need more information on a particular public tender? We will contact responsible institution, analyze all available information and prepare a brief report for you. The service costs \$200.00.

12.6 Single company promotion

We can help you launch your product or service in Slovakia by organizing seminars, press conferences, receptions or other promotional activities. Our low-cost support program is designed to help small-medium U.S. exporters get maximum exposure for minimum cost. We can work directly with you or with your authorized Slovak agent/distributor. Basic cost of \$500.00 includes use of our conference room for two events, developing target customer/guest lists for you, translating material for direct mail campaigns and arranging for local mailing of company material. Ancillary services (printing, postage etc.) are billed at cost.

12.7 CNUSA

Advertisement in Commercial News USA (CNUSA) promotes your product or service to buyers, distributors and retailers. CNUSA is monthly magazine published by U.S. Government.

12.8 Video Gold Key Matching Service

Meet with potential Slovak partners without the discomfort of transatlantic travel! The Video Gold Key gives you the opportunity to conduct interviews with prospective business partners, obtain feedback regarding the market for your product and thus use your time in Slovakia more efficiently and effectively. As with the standard Gold Key, you provide us with information about your company and the business partner you are looking for in Slovakia. We contact prospective partners, provide them with your company information, and set up a succession of up to 4 video meetings on the date you choose. Included are up to 4 hours of video interaction and interpretation services as needed. The fee is \$ 500.00 plus ISDN line charges.

12.9 Video Market Briefing

Your chance to chat live with a commercial specialist in Slovakia about the market for your products and services. We recommend that you formulate several questions that could be discussed in the course of the briefing. Examples: Who are my key competitors? How big is the market for my product? What are the local distribution channels? Are there any regulatory issues I will have to deal with? The service costs \$ 100.00 plus ISDN charges.

12.10 BuyUSA.com

BuyUSA is an easy way for U.S. and Slovak companies to do business. We combine the power of the Internet and the vast resources of the U.S. Department of Commerce to provide unparalleled trade advocacy for your company. Our personalized consulting services, pre-qualified leads, business matchmaking services, market research and other dynamic features are all available to assist you to find the right business partners and procure quality U.S. goods and services. All international companies can register and access all BuyUSA features for free. U.S. companies pay annual fee. For more information please visit www.usatrade.com.

12.11 International Sector Analyses (ISA)

U.S. Commercial Service Bratislava has already submitted timely Industry Sector Analyses for several key industries, including: medical equipment, pharmaceuticals, the telecommunications market, environmental technologies, electric power generation equipment, commercial vehicles, the electrotechnical industry, and industrial chemicals. For FY 2002, we plan on publishing the following reports:

Name	Submission Date
Water Resources Equipment/Services	December 2001
Food Processing / Packaging Equipment	March 2002
Plastics Materials / Resins	June 2002
Trends In the ICT Market	August 2002

12.12 International Market Insights

International Market Insights include reports regarding the privatization of industry sectors, public tenders, execution law, import surcharge, foreign trade fund, public procurement law, investment etc.

American companies are able to review these reports on the web page: www.stat-usa.gov.

To obtain more information, please contact your local U.S. DOC Export Assistance Center or U.S. Commercial Service Bratislava, Grosslingova 35, 811 09 Bratislava, Slovakia, tel.: +421 2 5296 1079, fax: +421 2 5296 1085, email: bratislava.office.box@mail.doc.gov.

13.1 Trade shows

Major trade shows listed below are those published for 2001. Interested parties are encouraged to contact the Slovak Chamber of Commerce and Industry or U.S. Commercial Service of the American Embassy in Bratislava (listed in Chapter 11) for 2001 and 2002 dates and exact locations.

SECTOR/DATE	CITY	NAME
Construction Oct	Kosice	Coneco-Racioenergia
Ecology Oct	Zilina	Komunal 2001
Electronics, telecommunications, computer technologies Oct	Trencin	ELO-SYS
Nov	Kosice	Cofax-Kosice
Food and food industry Nov	Zilina	Potraviny, obaly, hygiena 2001
Furniture, apartment accessories Oct	Bratislava	MOODDOM
Health services and pharmacy Oct	Zilina	Slovakodent 2001
Oct	Bratislava	Slovmedica - Slovfarma
Mechanical engineering Oct	Kosice	Strojexpo Cassovia
Security technology Oct	Bratislava	Security
Wood processing industry and machinery Oct	Nitra	Lignumexpo, Les 2001

13.2 Trade missions

Telecommunication Trade Mission

The U.S. Department of Commerce is sponsoring an Executive Level Telecommunications Trade Mission to Poland, Czech Republic and Slovakia in December 2-7, 2001. The mission will provide a unique opportunity for U.S. telecom services and equipment firms to either gain a foothold or advance established interests in the above telecommunications markets. The mission will include representatives from a variety of U.S. firms providing products and services for the telecommunications industry who seek to enter or expand their presence in those markets. For more information please contact: Beatrix Roberts, Office of Telecommunications

Technologies, U.S. Department of Commerce, phone: (202) 482-2952, fax: (202) 482-5834, <http://www.telecom.ita.doc.gov>